Consolidate quarterly report

as at 31 march 2017

GRUPPO HERA

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GOVERNANCE AND CONTROL BODIES

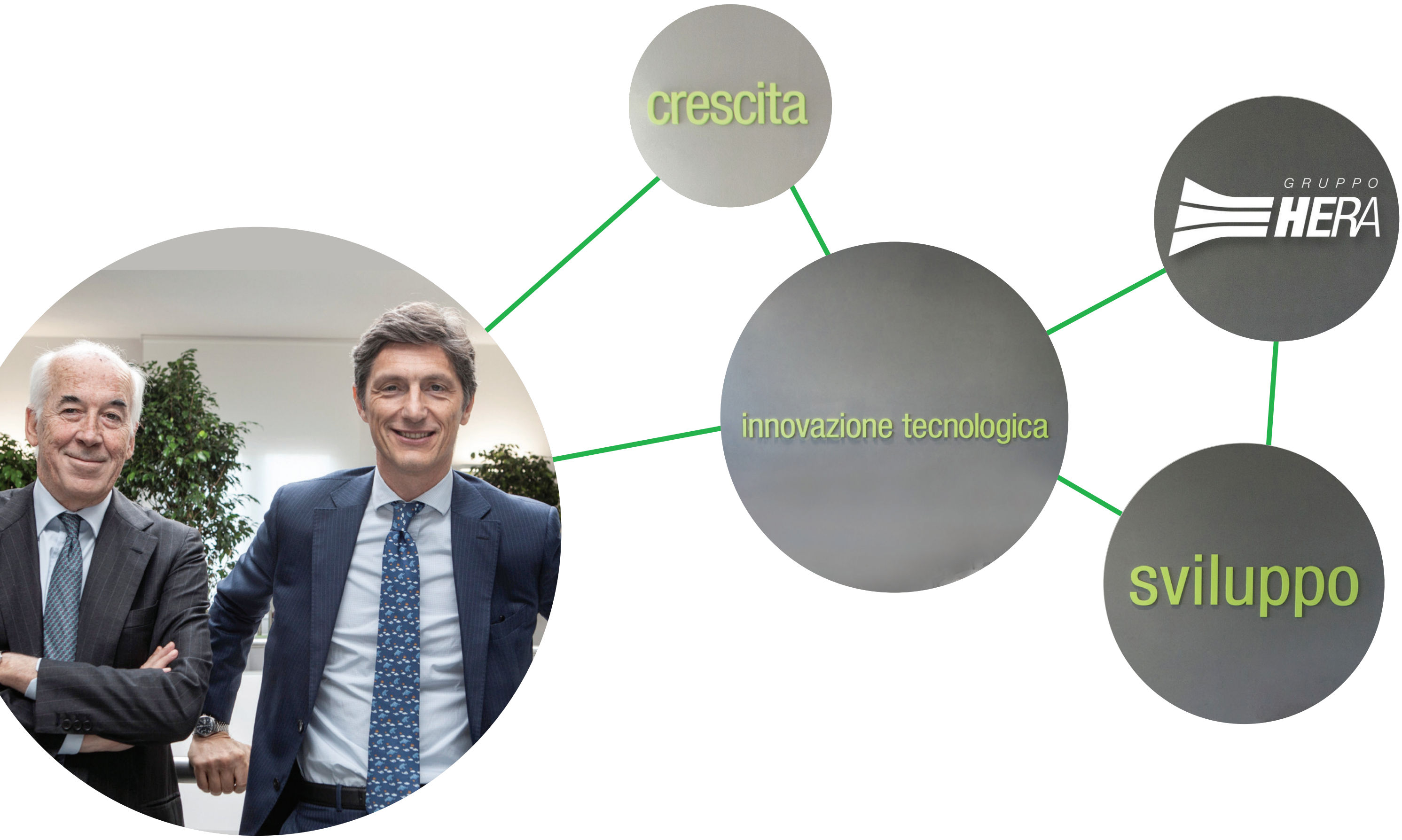
Until 27 April 2017

Board of Directors	
Chairman	Tomaso Tommasi di Vignano
CEO	Stefano Venier
Vice President	Giovanni Basile
Director	Mara Bernardini
Director	Forte Clò
Director	Giorgia Gagliardi
Director	Massimo Giusti
Director	Riccardo Illy
Director	Stefano Manara
Director	Luca Mandrioli
Director	Danilo Manfredi
Director	Cesare Pillon
Director	Tiziana Primori
Director	Bruno Tani
Board of Statutory Auditors	
Chairman	Sergio Santi
Standing Auditor	Antonio Gaiani
Standing Auditor	Marianna Girolomini
Control and Risk Committee	
Chairman	Giovanni Basile
Member	Massimo Giusti
Member	Stefano Manara
Member	Danilo Manfredi
Remuneration Committee	
Chairman	Giovanni Basile
Member	Mara Bernardini
Member	Luca Mandrioli
Member	Cesare Pillon
Executive Committee	
Chairman	Tomaso Tommasi di Vignano
Vice President	Giovanni Basile
Member	Stefano Venier
Member	Riccardo Illy
Ethics Committee	
Chairman	Massimo Giusti
Member	Mario Viviani
Member	Filippo Maria Bocchi
Independent auditing firm	
	Deloitte &Touche

As of 28 April 2017

Board of directors	
Chairman	Tommasi di Vignano Tomaso
CEO	Venier Stefano
Vice Chairman	Basile Giovanni
Director	Fiore Francesca
Director	Gagliardi Giorgia
Director	Massimo Giusti
Director	Lorenzon Sara
Director	Luciano Aldo
Director	Manara Stefano
Director	Manfredi Danilo
Director	Rauhe Erwin P.W.
Director	Regoli Duccio
Director	Seganti Federica
Director	Vignola Marina
Director	Xilo Giovanni
Board of Statutory Auditors	
Chairman of the Board of Statutory Auditors	Myriam Amato
Standing Auditor	Marianna Girolomini
Standing Auditor	Antonio Gaiani
Independent auditing firm	
	Deloitte&Touche Spa

INTRODUCTION



MISSION

"Hera aims at being the best multi-utility in Italy for its customers, workforce and shareholders. It intends to achieve this through further development of an original corporate model capable of innovating and of forging strong links with the areas in which it operates by respecting the local environment".

*"**For Hera, being the best is a way of creating pride and trust for**: **customers**, who receive, thanks to Hera's constant responsiveness to their needs, quality services that satisfy their expectations; **the women and men who work at Hera**, whose skills, engagement and passion are the foundation of the company's success; **shareholders**, confident that the economic value of the company will continue to be generated in full respect of the principles of social responsibility; **the reference area**, because economic, social and environmental richness represent the promise of a sustainable future; and **suppliers**, key elements in the value chain and partners for growth".*

CHAPTER 1

DIRECTORS' REPORT

1.01 OVERVIEW OF GROUP PERFORMANCE AND DEFINITION OF ALTERNATIVE PERFORMANCE MEASURES

Operating APMs and investments

Operating APMs and investments (€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Revenue	**1,585.5**	1,235.4	+350.1	+28.3%
EBITDA	**306.8**	278.4	+28.4	+10.2%
EBITDA/Revenue ratio	*19.4%*	*22.5%*	*-3.1 p.p.*	
Operating profit	**187.3**	170.8	+16.5	+9.7%
Operating profit/Revenue ratio	*11.8%*	*13.8%*	*-2.0 p.p.*	
Net profit	**115.3**	96.8	+18.5	+19.1%
Net profit/revenue ratio	*7.3%*	*7.8%*	*-0.5 p.p.*	
Net investments	**154.1**	68.5	+85.6	+124.9%

Financial APMs

Financial APMs (€/mln)	Mar 2017	Dec 2016	Abs. Change	% Change
Net non-current assets	5,663.7	5,564.5	+99.2	+1.8%
Net working capital	121.6	99.9	+21.7	+21.7%
Provisions	(553.8)	(543.4)	-10.4	-1.9%
Net invested capital	5,231.5	5,121.0	+110.5	+2.2%
Net financial debt	**(2,548.7)**	(2,558.9)	+10.2	+0.4%

Definition of Alternative Performance Measures (APM)

The Hera Group uses Alternative Performance Measures (APM) to more effectively convey information about trends in the profitability of the businesses in which it operates as well as its financial situation. In accordance with the guidelines published 5 October 2015 by the European Securities and Markets Authority (ESMA/2015/1415) and in keeping with the provisions of Consob communication no. 92543 of 3 December 2015, the content of and the criteria used in defining the APMs found in this financial statement are explained below.

Operating APMs and investments

EBITDA is a measure of operating performance and is calculated by adding together "Operating income" and "Depreciation, amortization and write-downs." This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating the operating performance of the Group (as a whole, and at the level of each Business Unit), also allowing for a comparison between operating profits of the reporting period with those of previous periods. In this way it is possible to analyze trends and compare the efficiency achieved in different periods.

Ebitda over revenues, Operating profit over revenues and net income over revenues are used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and measures the Group's operating performance by representing a proportion, in terms of percentage, of EBITDA, operating profit and net profit divided by the value of revenues.

Net investments are defined as the sum of investments in tangible fixed assets, intangible assets and equity investments net of capital grants. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating spending capacity for the Group's investments in maintenance and development (as a whole and at the level of each business unit), also allowing for a comparison with previous periods, making it possible to analyze trends.

Financial APMs

Net fixed assets are calculated as the sum of: tangible fixed assets; intangible assets and goodwill; equity investments; deferred tax assets and liabilities. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating the Group's net assets as a whole, also allowing for a comparison with previous periods. In this way it is possible to analyze trends and compare the efficiency achieved in different periods.

Net working capital is made up of the sum of: inventories; trade receivables and payables; current tax receivables and payables; other current assets and liabilities; the current portion of assets and liabilities for financial derivatives on commodities. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating the Group's ability to generate cash flow through operating activities over a period of 12 months, including comparisons with previous periods. In this way it is possible to analyze trends and compare the efficiency achieved in different periods.

Provisions includes the sum of the items "employee severance indemnities and other benefits" and "provisions for risks and charges". This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating the Group's ability to cope with possible future liabilities, also allowing for a comparison with previous periods. In this way it is possible to analyze trends and compare the efficiency achieved in different periods.

Net invested capital is determined by calculating the sum of "net fixed assets", "net working capital" and "provisions". This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating all of the Group's current and non-current operating assets and liabilities, as specified above.

Net financial debt is a measure of the company's financial structure determined in accordance with Consob communication 15519/2006, adding the value of non-current financial assets. This measure is therefore calculated by adding together the following items: current and non-current financial assets; cash and cash equivalents; current and non-current financial liabilities; current and non-current assets and liabilities for derivative financial instruments on interest and exchange rates. This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors), and is useful in evaluating the Group's financial debt, also allowing for a comparison with prior periods. In this way it is possible to analyze trends and compare the efficiency achieved in different periods.

Sources of financing are obtained by adding "net financial debt" and "net equity". This measure is used as a financial target in internal documents (business plans) and external presentations (to analysts and investors) and represents the breakdown of sources of financing, distinguishing between the company's own equity and that of third parties; it is an indicator of the Group's financial autonomy and solidity.

1.01.01 OPERATING AND FINANCIAL RESULTS

Constant growth in all indicators

All of the Hera Group's operating and financial indicators for the first quarter of 2017 showed growth. EBITDA rose by 10.2%, operating profits by 9.7% and net profits by 19.1%.

These results, obtained thanks to the Group's consolidated multi-business strategy, must be seen within an ever more challenging competitive and regulatory context, in which the Group operates in a balanced and agile way, combining internal and external growth.

The main corporate and business operations having an effect on the first quarter of 2017 are described, point by point, as follows:

- On 8 April 2016 Hera Comm Srl definitively won the call for tenders announced by the Municipality of Giulianova to acquire 100% of the share capital of Julia Servizi Più Srl, a gas and electricity sales company which operates in the municipality of and the area surrounding Teramo.

- In September 2016 Hera Comm was awarded the Friuli Venezia-Giulia and Emilia Romagna portions of last-resort gas service for the period 1 October 2016 – 30 September 2018, along with 5 portions of the default gas distribution service for the period 1 October 2016 – 30 September 2018.

- As of 1 November 2016 the company Gran Sasso Srl, which is involved in free market electricity and gas sales in the L'Aquila, Pescara and Chieti areas, became part of the Group's consolidated scope.

- In November 2016, in the national tender announced by the Single Purchaser for safeguarded services in 2017-18, Hera Comm was awarded six portions for eleven regions of Italy.

- On 1 February 2017 Waste Recycling Spa acquired the corporate branch involving plants of the Pisa company Teseco, a leader in industrial waste treatment and recovery.

- In January 2017 Herambiente Spa signed a binding deal with AligroupSrl to acquire the Aliplast Group, a leader in the sector of plastic waste collection, recycling and subsequent regeneration, in an integrated process that transforms waste into products ready to be reused. The operation was concluded on 3 April 2017 following confirmation of the content of the caveat due to a positive evaluation coming from the Italian competition authority. The consolidation will be carried out in the following quarter and will be able to be implemented thanks to the governance agreed upon by the parties.

In order to respect sector regulations concerning unbundling, with effective date 1 July 2016 Hera Spa conferred its corporate branch dealing with electricity and gas distribution to Inrete Distribuzione Energia Spa.

As of 1 January 2017 Heratech has become operational, a company that manages works requested by clients (service connections, technical opinions, urbanisations etc.), for all network services managed by the Group. It is furthermore responsible, both for the Group and third parties, for planning and creating plants and networks as well as highly specialised technical activities. The company is a wholly owned subsidiary of Hera S.p.A.

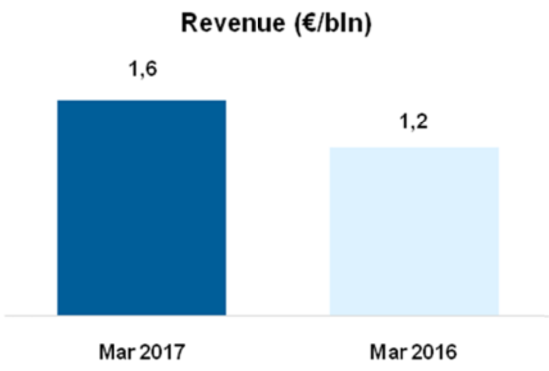
This consolidated income statement reflects the application of accounting principle IFRIC12 "Service concession arrangements". The effect of applying this principle, which leaves the results unchanged, is that investments made in goods granted under concession, only including network services, are acknowledged in the income statement.

The following table shows the economic results for the first quarters of 2016 and 2017:

Constant and increasing growth

Income statement (€/mln)	Mar 2017	% Inc.	Mar 2016	% Inc.	Abs. Change	% Change
Revenue	1,585.5		1,235.4		+350.1	+28.3%
Other operating revenues	82.1	5.2%	73.7	6.0%	+8.4	+11.4%
Raw materials	(732.2)	-46.2%	(608.5)	-49.3%	+123.7	+20.3%
Service costs	(488.8)	-30.8%	(281.7)	-22.8%	+207.1	+73.5%
Other operating costs	(12.0)	-0.8%	(12.1)	-1.0%	-0.1	-0.8%
Personnel costs	(137.2)	-8.7%	(132.9)	-10.8%	+4.3	+3.2%
Capitalised costs	9.4	0.6%	4.6	0.4%	+4.8	+104.8%
EBITDA	**306.8**	**19.4%**	**278.4**	**22.5%**	**+28.4**	**+10.2%**
Amort. & Prov.	(119.5)	-7.5%	(107.6)	-8.7%	+11.9	+11.1%
EBIT	**187.3**	**11.8%**	**170.8**	**13.8%**	**+16.5**	**+9.7%**
Financial operations	(23.1)	-1.5%	(25.7)	-2.1%	-2.6	-10.1%
Pre-tax profit	**164.2**	**10.4%**	**145.1**	**11.7%**	**+19.1**	**+13.2%**
Taxes	(48.9)	-3.1%	(48.4)	-3.9%	+0.5	+1.0%
Net profit for the year	**115.3**	**7.3%**	**96.8**	**7.8%**	**+18.5**	**+19.1%**
Attributable to:						
Shareholders of the Parent Company	**109.9**	**6.9%**	**91.2**	**7.4%**	**+18.7**	**+20.5%**
Non-controlling interests	5.4	0.3%	5.6	0.5%	-0.2	-3.5%

Revenues at € 1.6 billion



In the first quarter of 2017, revenues amounted to € 1,585.5 million, up € 350.1 million or 28.3% over the € 1,235.4 million seen in the same period of 2016. As of the 2017 financial year, an equal amount of revenues and costs, coming to approximately € 193 million, is recognized in the income statement, for the transfer of general system costs from operating accounts to financial accounts in sales companies. This modification has been implemented following resolution 268/2015/R/eel of 4 June 2015, for which the Authority adopted the standard Network code for electricity transportation, and, subsequently, resolution 13/2016 – DMEG of 05 August 2016. Additional factors involved in this growth include greater trading activities amounting to roughly € 85 million, higher volumes of gas sold coming to € 28 million and higher revenues due to the price of electric raw materials for a total of

€ 43 million. Lastly, the higher regulated revenues in water services were partially offset by a different method used in recording energy efficiency certificates, from the entry “revenues” to the entry “other operating revenues”, amounting to € 3.7 million, and by lesser works in progress for commissions.

Other operating revenues increased compared to the same period in the previous year by € 8.4 million or 11.4%. This growth is mainly due to the abovementioned change in the accounting method used for energy efficiency certificates, from the entry “revenues” to the entry “other operating revenues”, totalling € 3.7 million, and higher IFRIC12 revenues coming to € 3.6 million.

The cost of raw and other materials rose by € 123.7 million compared to 31 March 2016, showing an increase of 20,3%; as with revenues, this rise is due to greater activity in trading, a higher price of electricity raw material and greater volumes of gas sold.

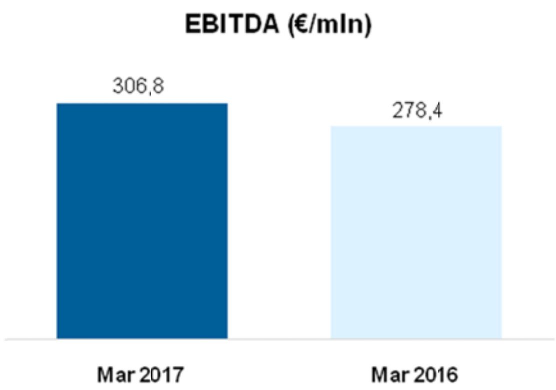
Other operating costs, net of entries regarding the aforementioned system costs coming to € 193 million and higher Ifric12 costs amounting to € 11.7 million, grew by € 12.3 million overall (€ 12.4 million in higher costs for services and € 0.1 million in lower operating expenses). Mention should also go to the higher costs for implementing transnational systems in some Group companies and higher costs for the sales force in marketing companies intended to widen the customer base, offset by some efficiencies in the waste collection service and by lower transmission costs owing to the decrease in volumes of electricity sold.

Personnel costs rose by € 4.3 million or 3.2%, going from € 132.9 million at 31 March 2016 to the € 137.2 million seen at the same date in 2017. 2.9% of this increase is linked to salary increases provided for by the national collective labour agreement, while the remained is explained by changes in the scope of operations.

Capitalised costs at 31 March 2017 rose compared to the same date in the previous year by € 4.8 million or 104.8%, owing to greater works on plants and works on Group company assets, also involving the different corporate breakdown linked to the creation of Inrete and Heratech.

EBITDA at € 306.8 million (+10.2%)

EBITDA settled at € 306.8, recording an increase of € 28.4 million or 10.2% over March 2016. This growth in EBITDA can be attributed to good performances in all areas served by the Group but in particular to the energy areas, thanks to greater profits in the sales business for the new portions of Safeguarded and Default markets. A positive result also came from the Networks areas, while the waste area remained stable.



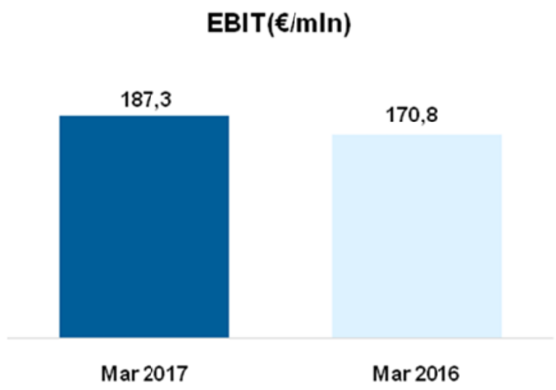
For further details, see the analyses of each single business area.

Amortisation and provisions rose by € 12.0 million or 11.2% overall, going from € 107.6 million in March 2016 to € 119.6 million in the same period of 2017. Amortisation increased due to new investments in regulated businesses and for the change in the scope of operations concerning sales companies. Accruals to the provision for doubtful debts rose in particular in the sales company Hera Comm, owing to the tender awarded for Safeguarded services, as mentioned above.

EBIT at € 187.3 million (+9.7%)

EBIT reached € 187.3 million in March 2017, up € 16.5 million or 9.7% over the € 170.8 million seen in the same period in 2016.

The results of financial management at the end of the first quarter of 2017 came to € 23.1 million, with a € 2.6 million or 10.1% improvement over the same period in 2016. These good performances are due to lower average debt, efficiency in rates obtained among other things thanks to the effects of the liability management operations set in place during 2016, and higher earnings involving recovery of default indemnities from safeguarded customers.



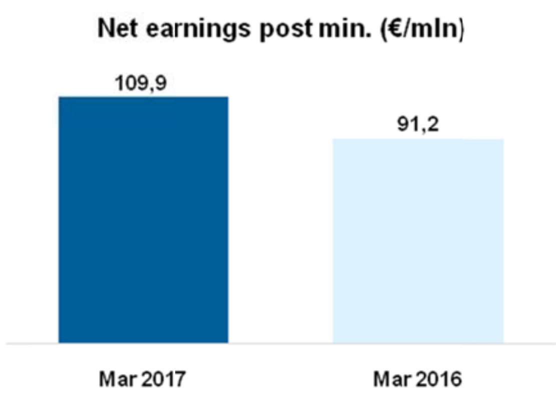
In light of the above, pre-tax profits grew by € 19.1 million, passing from the € 145.1 million seen in March 2016 to the € 164.2 recorded in the first quarter of 2017.

Income tax pertaining to the first quarter of 2017 came to € 48.9 million, defining a tax rate of 29.8% and showing a clear improvement compared to the same period in 2016 (33.3%). The reasons for this decrease mainly involve a fall in the Ires rate, which went from 27.5% in previous financial years to 24% as of 2017. This must be considered alongside the Group's continuous commitment to seizing the benefits recognised by law, concerning in particular tax credits for research and development, an increase in deductions for amortisation and the patent box.

Net profits therefore grew by 19.1% or € 18.5 million, going from € 96.8 million in the first trimester of 2016 to € 115.3 million in the same period of 2017.

Net earnings post minorities at € 109.9 (+20.5%)

Group net profits came to € 109.9 million, rising by € 18.7 million compared to the amount seen at March 2016.



1.01.02 ANALYSIS OF THE GROUP'S FINANCIAL STRUCTURE

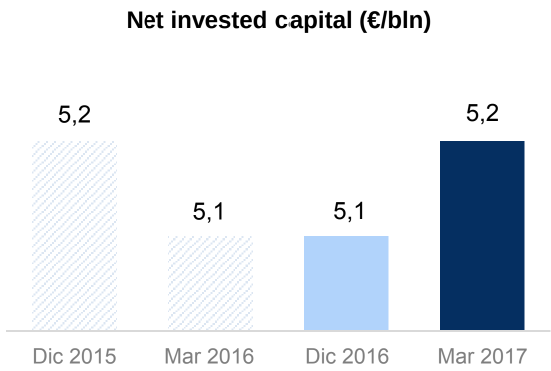
Group's magnitude increases

The table below provides an analysis of changes in the Group's net invested capital and sources of financing for the period ended 31 March 2017.

Invested capital and sources of financing (€/mln)	**31 Mar 17**	% Inc.	31 Dec 16	% Inc.	Abs. Change	% Change
Net non-current assets	5.663,7	108,3%	5.564,5	108,7%	+99,2	+1,8%
Net working capital	121,6	2,3%	99,9	2,0%	+21,7	+21,7%
(Provisions)	(553,8)	-10,6%	(543,4)	-10,6%	(10,4)	(1,9%)
Net invested capital	**5.231,5**	100,0%	5.121,0	100,0%	+110,5	+2,2%
Equity	(2.682,8)	51,3%	(2.562,1)	50,0%	(120,7)	(4,7%)
Long-term borrowings	(2.757,3)	52,7%	(2.757,5)	53,8%	+0,2	+0,0%
Net cash/short term borrowings	208,6	-4,0%	198,6	-3,9%	+10,0	+5,0%
Net debt	(2.548,7)	48,7%	(2.558,9)	50,0%	+10,2	+0,4%
Total sources of financing	**(5.231,5)**	-100,0%	(5.121,0)	100,0%	(110,5)	+2,2%

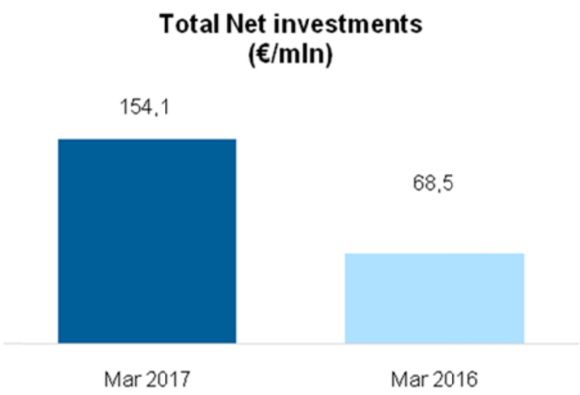
Net invested capital reaches € 5.2 billion

At 31 March 2017, net invested capital increased compared to 31 December 2016. This change can be entirely attributed to the acquisition of a holding in the Aliplast Group by the company Herambiente.



Net investments grow to € 154,1 in the first quarter

In the first quarter of 2017, the Group's net investments amounted to € 154.1 million, rising by € 85.6 million compared to the same period in the previous year. This increase is mainly due to an investment in financial holdings coming to € 88.5 million carried out for the acquisition of the Aliplast Group[1], which operates in Italy and abroad in the sector of plastic waste recycling and subsequent regeneration.



Net investments benefitted from € 10.8 million in capital grants, of which € 1.3 million for the New investments fund (FoNI) as foreseen by the tariff method for the Integrated water

[1] The value of holdings at 31 March 2017 reflects a 100% subscription in the capital of Aliplast SpA, a company based in Istrana, Treviso which operates in the field of regenerated polymers, flexible polyethylene films and rigid PET films, for a total of € 88.5 million, following confirmation of the content of the caveat, when the Italian authority for competition expressed its positive opinion as to the acquisition of the company. On 3 April 2017 the first tranche of this company's capital (40%) was purchased. The evaluation of the holding was made on the basis of the contractual information available at the current date. Note furthermore that a full consolidation was not possible at the date when this report was completed because the Aliplast Group's operating and financial information is currently unavailable. The consolidation will be reflected in the half-year report, as made possible by the governance agreed by the parties.

service, which grew by € 6.3 million compared to the first quarter of 2016.
Including capital grants, overall Group investments amounted to € 164.9 million, up € 91.9 compared to the same period in the previous year.

The following table shows a subdivision by sector, with separate mention of capital grants:

Strong commitment continues in operating investments in plants and infrastructures

Total investments (€/mln)	**Mar 2017**	Mar 2016	Abs. Change	% Change
Gas area	18.6	19.7	-1.1	-5.6%
Electricity area	4.9	3.6	+1.3	+36.1%
Water cycle area	33.4	30.1	+3.3	+11.0%
Waste management area	5.8	6.3	-0.5	-7.9%
Other services area	4.1	2.8	+1.3	+46.4%
Headquarters	9.4	10.5	-1.1	-10.5%
Total operating investments	**76.2**	73.0	+3.2	+4.4%
Total financial investments	88.6	0.0	+88.6	+100.0%
Total gross investments	**164.9**	73.0	+91.9	+125.9%
Capital contributions	10.8	4.5	+6.3	+140.0%
of which FoNI (New Investment Fund)	*1.3*	*2.6*	*-1.3*	-50.0%
Total net investments	**154.1**	68.5	+85.6	+125.0%

Operating investments came to € 76.2 million, increasing by 4.4% compared to the same period in the previous year and mainly concerned interventions on plants, networks and infrastructures, in addition to regulatory upgrading involving above all gas distribution, with a large-scale substitution of metres, and the depuration and sewerage areas.

Remarks on investments in each single area are included in the analysis by business area.

At Group headquarters, investments in corporate buildings, IT systems and the vehicle fleet

At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures. Overall investments in structures increased by € 1.1 million compared to the first quarter of the previous year.

Provisions come to € 553.8 million

In March 2017 provisions amounted to € 553.8 million, up compared to December 2016 thanks to period reserves which proved to be higher than usage expenses.

Equity amounts to € 2.7 billion

Equity increased, going from € 2,562.1 million at 31 December 2016 to € 2,682.8 million at 31 March 2017 following the contribution coming from the period’s results, amounting to € 115.3 million.

1.01.03 ANALYSIS OF NET CASH (NET BORROWINGS)

An analysis of net borrowings is provided in the following table:

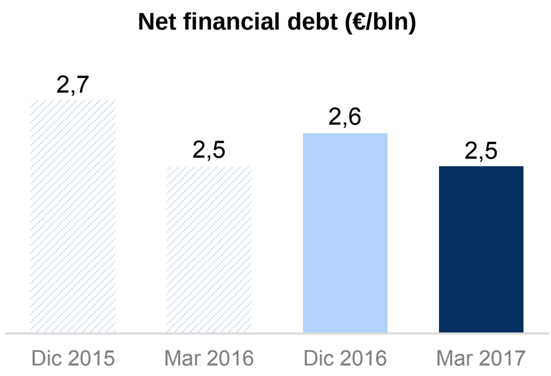
A solid financial position

(€/mln)		31 Mar 17	31 Dec 16
a	**Cash and cash equivalents**	**406,6**	351,5
b	**Other current financial receivables**	**30,4**	29,4
	Current bank debt	(54,8)	(72,1)
	Current portion of indebtness	(71,3)	(71,7)
	Other current financial liabilities	(100,0)	(36,2)
	Finance lease payments maturing within 12 months	(2,3)	(2,3)
c	**Current financial debt**	**(228,4)**	(182,3)
d=a+b+c	**Net current financial debt**	**208,6**	198,6
	Non-current bank debt and other non-current source of financing	(2.847,5)	(2.847,8)
	Other non-current financial liabilities	(4,8)	(5,0)
	Finance lease payments maturing after 12 months	(14,6)	(14,9)
e	**Non-current financial debt**	**(2.866,9)**	(2.867,7)
f=d+e	**Net borrowings - Consob communication n° 15519 del 28/07/2006**	**(2.658,3)**	(2.669,1)
g	**Non-current financial receivables**	**109,6**	110,2
h=f+g	**Net financial debt**	**(2.548,7)**	(2.558,9)

Current debt is mainly made up of bank loans reaching maturity amounting to roughly € 71.3 million, short-term financial debt for € 88.5 million for the investment in financial holdings for the acquisition of the Aliplast Group and short-term bank debt for use of current credit lines coming to roughly € 18.7 million and accrued liabilities for € 36 million. The amount of non-current bank debt and bonds is largely made up of bonds issued on the European market and listed on the Luxembourg Stock Exchange (80.3% of the total), with repayment at maturity.
As a whole, borrowings show an average term to maturity of roughly 8.5 years, with 69% maturing after more than 5 years.

Net debt settles at € 2.5 billion

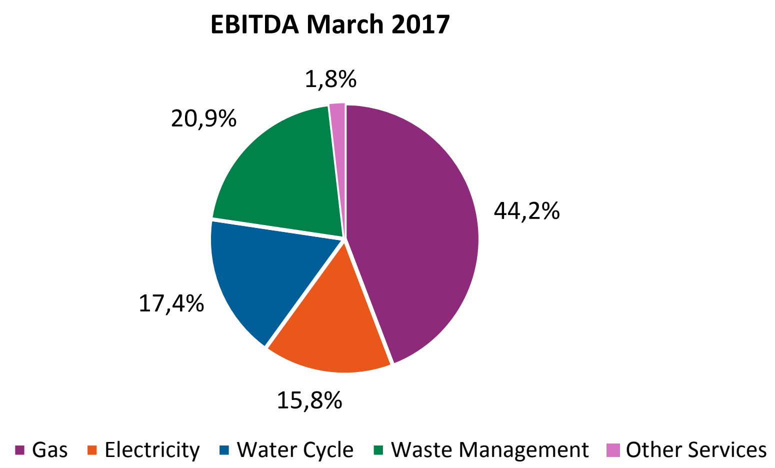
Net financial debt decreased from € 2,558.9 million in 2016 to the € 2,548.7 recorded at 31 March 2017. This positive variation, which is partially natural considering seasonal factors involved in the gas business, is lower than the trend recorded in the same period of the previous year, mainly due to the investment in financial holdings for € 88.5 million made for the acquisition of the Aliplast Group.



1.02 ANALYSIS BY BUSINESS AREA

An analysis of the results achieved by management in the various business areas in which the Group operates is provided below, including: the gas area, which covers services in natural gas and LPG distribution and sales, district heating and heat management; the electricity area, which covers services in electricity production, distribution and sales; the integrated water cycle area, which covers aqueduct, purification and sewerage services; the waste management area, which covers services in waste collection, treatment, recovery and disposal; the other services area, which covers services in public lighting and telecommunications, as well as other minor services. Following the second quarter of 2016, the Hera Group revised the arrangement of its multi-business portfolio in order to improve and simplify financial reporting on its industrial structures: the industrial cogeneration business has been transferred from the electricity area to the gas area, bringing it together with heat management, which furthermore respects the Group's organizational outlook. The respective 2016 data has been reclassified so as to reflect these changes.

Contributions coming from the Group's various areas towards overall EBITDA show a higher amount from the gas area, owing to the seasonal factors typical of this business.



The Group's income statements include corporate headquarter costs and reflect intercompany transactions accounted for at arm's length.

The following analyses of the single business areas take into account all increased revenues and costs, having no impact on EBITDA, related to the application of IFRIC 12, as shown in the Group's consolidated income statement. The business areas affected by IFRIC 12 are: natural gas distribution services, electricity distribution services, all integrated water cycle services and public lighting services.

Changes in the Group's organisational and corporate breakdown following the creation of Inrete and Heratech have given way to a different representation of personnel costs and operating costs within the various business areas, which however remain congruent as regards the total.

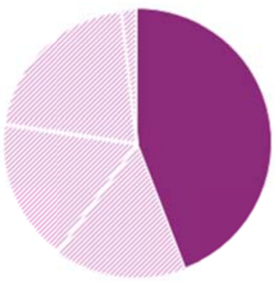
1.02.01 GAS

Gas: EBITDA rises

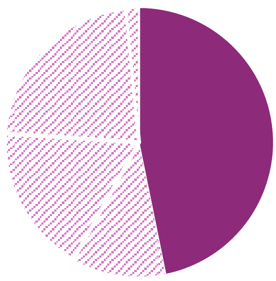
At the end of the first quarter of 2017 the gas area showed growth over the corresponding period in the previous year as regards both EBITDA and volumes sold. This result was partially obtained thanks to the five portions of the default service in gas distribution for the period 1 October 2016 – 30 September 2018 and the two portions of the last resort gas service for the period 1 October 2016 – 30 September 2018 awarded to the company Hera Comm. As regards the first quarter of 2016, the revenue covering the underlying cost of amortisation related to investments made in the first quarter of 2017 is recognized on an accrual basis.

Contribution to overall EBITDA drops

MOL Area Gas Mar 2017



MOL Area Gas Mar 2016



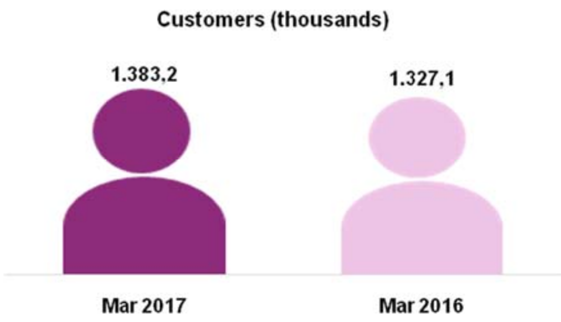
Gas area EBITDA increases by 4.1%

The following table shows the changes occurred in terms of EBITDA:

(€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Area EBITDA	**135.6**	**130.3**	**+5.3**	**+4.1%**
Group EBITDA	**306.8**	278.4	+28.4	+10.2%
Percentage weight	44.2%	46.8%	-2.6 p.p.	

1.4 million gas customers

Total gas customers rose by 4.2% compared to the same period in 2016. This trend is due to both commercial actions and the portions awarded of default gas distributions services and last resort gas services. The broader customer base also resulted from the two corporate acquisitions in central Italy: Julia Servizi Più (subsequently merged into Hera Comm Marche), which contributed with roughly 13 thousand new customers; Gran Sasso Energie, with roughly 16 thousand customers. The contribution coming from the new portions awarded amounts to roughly 24 thousand customers.



Increase in volumes sold: +26.6%

Volumes of gas sold rose by 335.0 million m^3 or 26,6%, going from the 1,261.2 million m^3 seen at 31 March 2016 to the 1,596.2 in the equivalent period in 2017. This trend was mainly due to growth in volumes traded coming to 261.8 million m^3 (16.4% of total volumes). The volumes sold to end customers showed a growth of 7.3% over March 2016, grazie to the increase of the customer base and the contribution coming from the companies Gran Sasso Energie (roughly 7.5 million m^3) and Julia Servizi Più (roughly 6.0 million m^3). Furthermore, note that the higher portions awarded in the tender for default gas services allowed the volumes served in the first quarter of 2017 to be increased by roughly 17 million m^3. Not including the changes in scope of operations, the increase in volumes amounts to 4.6%, higher than the increase in degree/days, which came to 3.0%, showing slightly lower temperatures in the first quarter of 2017.

Gas: overall EBITDA rises

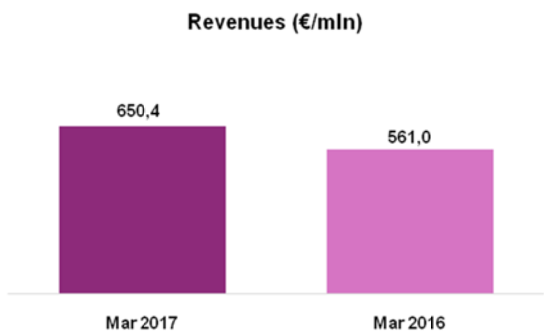
The following table summarises operating results for the gas area:

Income statement (€/mln)	Mar 2017	% Inc.	Mar 2016	% Inc.	Abs. Change	% Change
Revenue	**650.4**		561.0		+89.4	+15.9%
Operating costs	**(488.4)**	-75.1%	(395.5)	-70.5%	+92.9	+23.5%
Personnel costs	**(30.6)**	-4.7%	(37.1)	-6.6%	-6.5	-17.5%
Capitalised costs	**4.2**	0.7%	1.7	0.3%	+2.5	+142.9%
EBITDA	**135.6**	20.9%	130.3	23.2%	+5.3	+4.1%

Note that pro forma data has been prepared for March 2016 in order to account for the reclassification of the industrial cogeneration business from the electricity area to the gas area, as further described in section 1.02. The effect on the 2016 data of this reclassification amounts to € 1.6 million in EBITDA, consisting of € 3.2 million in revenues, € 1.4 million in operating costs and € 0.2 million in personnel costs.

Gas revenues reach € 650.4 million

Revenues went from € 561.0 million at 31 March 2016 to € 650.4 million at 31 March 2017, with a growth of € 89.4 million or 15.9%. Regarding 2017, note the new accounting method for system charges on sales companies, transferred to operating on an equal amount of revenues and costs. The effect on the first quarter of 2017 came to € 31 million. Not including this effect, the main reasons for growth lie in the sales and trading businesses: higher revenues from trading activities for roughly € 22 million, higher volumes of natural



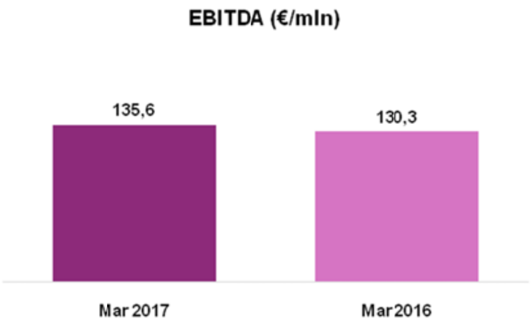
The 2016 data reflects the reclassification of the industrial cogeneration business from the electricity area to the gas area.

gas sold coming to roughly € 16 million, the new portions awarded for the default gas service coming to roughly € 7.5 million, and the increased scope of operations thanks to the acquisition of Gran Sasso Energie, which contributed with roughly € 4.5.
Furthermore, note the higher revenues from the service of district heating amounting to roughly € 3.0 million and higher revenues tied to the application of accounting principle Ifric12 and third parties. Revenues from the regulated distribution service fell overall, due to past items found in the first quarter of 2016, only partially offset by the abovementioned revenues covering amortisation costs.

The increase in revenues had a proportional effect on operating and personnel costs, which went from € 432.5 million overall at 31 March 2016 to € 519.0 million in the same period of 2017, thus showing an overall growth of € 86.5 million. This trend is mainly due to the greater volumes sold, greater activity in trading and the roughly € 31 million of system charges on sales companies, transferred to operating costs.

Gas EBITDA: € 135.6 million

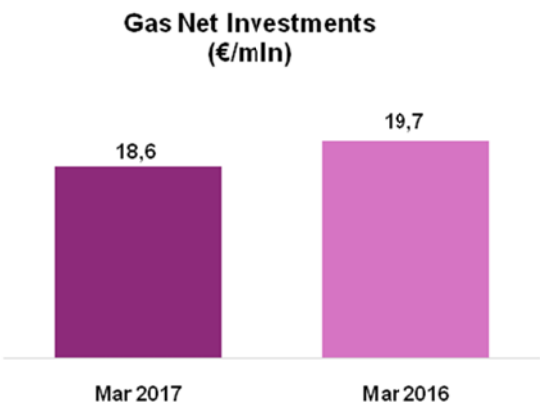
EBITDA rose by € 5.3 million or 4.1%, passing from € 130.3 million in the first quarter of 2016 to the € 135.6 million seen in 2017, thanks to greater volumes of gas sold and the wider scope of operations for the default service.



The 2016 data reflects the reclassification of the industrial cogeneration business from the electricity area to the gas area.

Net investments in the Gas Area at € 18.6 million

Investments in the Gas Area in the first quarter of 2017 came to € 18.6 million, showing a € 1.1 million decrease compared to the previous year. In gas distribution, an increase of € 1.7 million was seen, mainly owing to activities in regulatory adaptation as per decree 554/15 (ex-decree 631/13) for a large-scale meter substitution, which also included lower-class devices (G4-G6), non-routine maintenance on networks and plants and interventions for cathodic protection of the network in the Padua and Trieste areas.
Requests for new gas connections were in line with the first quarter of the previous year.
Investments fell in district heating due to the revamping interventions concerning a few plants carried out in 2016 and, in heat management, mainly concerned areas in the Triveneto region with the company Sinergie, which had anticipated a few interventions in the first quarter of 2016.
New connections in district heating dropped slightly compared to the previous year.



The 2016 data reflects the reclassification of the industrial cogeneration business from the electricity area to the gas area.

Details of operating investments in the Gas Area are as follows:

Significant operating investments on networks and plants

Gas (€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Networks and plants	15.0	13.3	+1.7	+12.8%
RH/Heat management	3.6	6.4	-2.8	-43.8%
Total Gas Gross	**18.6**	19.7	-1.1	-5.6%
Capital contributions	0.0	0.0	+0.0	+0.0%
Total Gas Net	**18.6**	19.7	-1.1	-5.6%

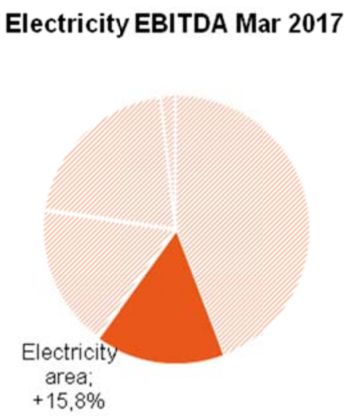
Pro forma data has been prepared for 2016 in order to account for the reclassification of the industrial cogeneration business from the electricity area to the gas area, amounting to € 0.3 million overall.

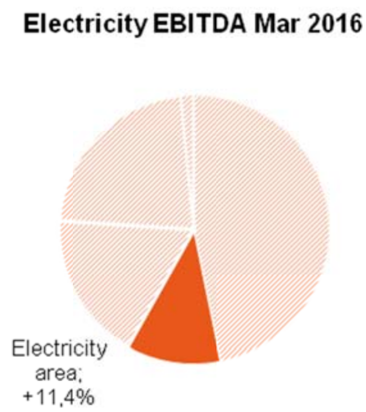
1.02.02 ELECTRICITY

Electricity: increase in earnings

The Electricity Area EBITDA grew significantly, both in its own right and as a contribution to Group EBITDA, compared to the first quarter of 2016.
Sales activities enlarged the customer base and Hera Comm was awarded the national tender announced by the Single Purchaser for safeguarded services in 2017-18, winning six portions for eleven regions of Italy, with a different mix than in the previous tender; lastly, production activities recorded positive performances once again on the dispatching market.
As regards the first quarter of 2016, the revenue covering the underlying cost of amortisation related to investments made in the first quarter of 2017 is recognized on an accrual basis.

Contribution to Group EBITDA: +4.4%





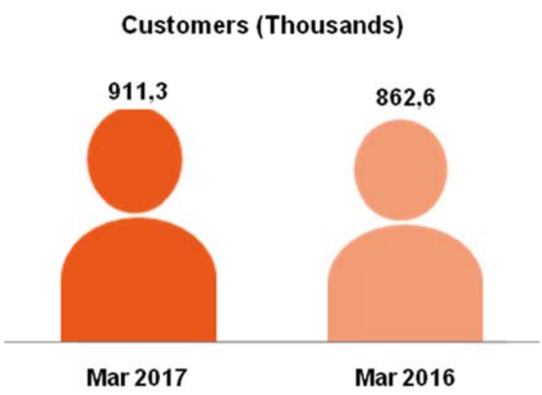
The following table shows the changes occurred in terms of EBITDA:

Electricity area EBITDA grows by 53.2%

(€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Area EBITDA	**48.4**	**31.6**	**+16.8**	**+53.2%**
Group EBITDA	**306.8**	278.4	+28.4	+10.2%
Percentage weight	15.8%	11.4%	+4.4 p.p.	

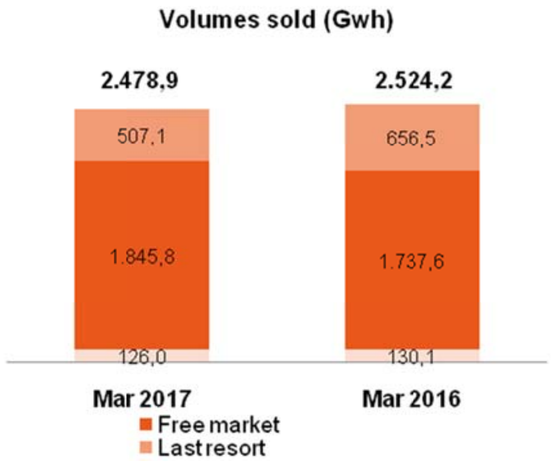
911.3 thousand electricity customers

The number of electricity customers showed an increase of 5,6% (48.7 thousand), mainly due to growth in the free market, coming to 10.7%. The trend of growth seen in recent years was confirmed, owing to the reinforcement of commercial actions implemented and the broader customer base reached in 2016 with the acquisition of the company Gran Sasso Energie, which contributed with roughly 3.7 thousand customers.



Slight drop in amount of volumes sold: -1.8%

The volumes of electricity sold went from 2,524.2 GWh in March 2016 to 2.478,9 GWh in the first quarter of 2017, with an overall decrease of 1.8%. Volumes sold on the free market, which grew by 6.2%, contained the fall in volumes seen in the safeguarded service, mainly due to the different mix of portions assigned, which proved to consume less energy than the previous ones.



The following table summarises operating results in the area:

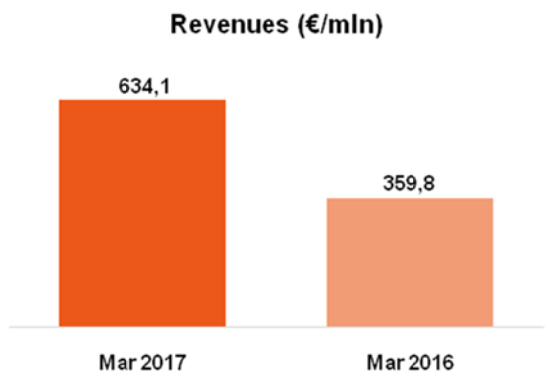
Electricity: EBITDA rises by 53.2%

Income statement (€/mln)	Mar 2017	% Inc.	Mar 2016	% Inc.	Abs. Change	% Change
Revenue	**634.1**		359.8		+274.3	+76.2%
Operating costs	**(577.2)**	-91.0%	(318.1)	-88.4%	+259.1	+81.5%
Personnel costs	**(10.9)**	-1.7%	(11.5)	-3.2%	-0.6	-5.2%
Capitalised costs	**2.4**	0.4%	1.4	0.4%	+1.0	+71.8%
EBITDA	**48.4**	7.6%	31.6	8.8%	+16.8	+53.2%

Note that pro forma data has been prepared for March 2016 in order to account for the reclassification of the industrial cogeneration business from the electricity area to the gas area, as further described in section 1.02. The effect on the 2016 data of this reclassification amounts to € 1.6 million in EBITDA, consisting of € 3.2 million in revenues, € 1.4 million in operating costs and € 0.2 million in personnel costs.

Revenues from electricity at € 634.1 million

Revenues rose by 76.2%, going from € 359.8 million in the first quarter of 2016 to € 634.1 million in 2017. Note, as already described in previous paragraphs, the change in the accounting method used for system charges, responsible for roughly € 162 million. The main factors underlying the remaining growth are: an increase in the price of energy (Pun, nationwide price), up 26% compared to the previous year, which gave way to € 43 million in higher sales revenues, € 63 million in higher trading revenues and € 9 million in higher revenues for energy production in thermoelectric plants. Revenues for volumes sold fell by roughly € 3.5 million. Revenues for regulated services increased slightly due to the abovementioned revenues covering amortisation costs.

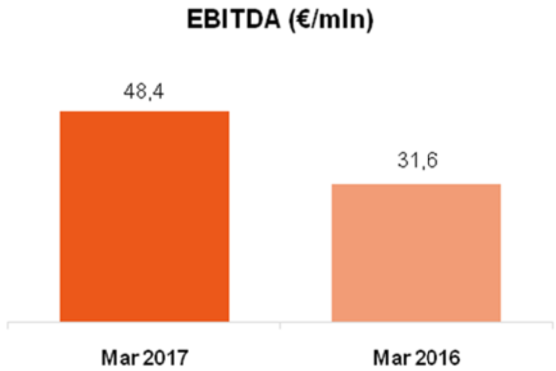


The 2016 data reflects the reclassification of the industrial cogeneration business from the electricity area to the gas area.

The increase in revenues was proportionally reflected in growth in operating and personnel costs, which went from € 329.6 million overall at 31 March 2016 to € 588.1 million in the same period of 2017, thus showing an overall increase of € 258.5. This trend is mainly due to the system charges for sales companies amounting to roughly € 162 million transferred to operating costs, and to an increase in the cost of materials.

Electricity EBITDA at € 48.4 million

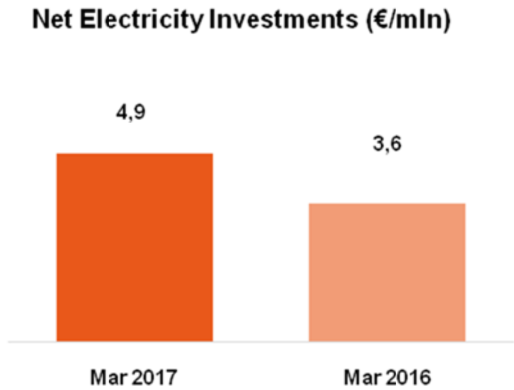
At the end of the first quarter of 2017, EBITDA rose by € 16.8 million or 53.2%, going from € 31.6 million at 31 March 2016 to € 48.4 million in the same period of 2017. This was due to higher earnings in free market and safeguarded market sales activities, and higher earnings in electricity production, thanks to the positive trend seen in dispatching services.



The 2016 data reflects the reclassification of the industrial cogeneration business from the electricity area to the gas area.

Net investments in the Electricity Area: € 4.9 million

In the Electricity Area, first quarter 2017 investments amounted to € 4.9 million, with an increase of € 1.3 million over the previous year.
The interventions set in place mainly concern non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas.
Compared to the previous year, higher investments were recorded for non-recurring maintenance on HT/MT stations.
Requests for new connections were in line with the same period in the previous year.



Operating investments in the Electricity Area were as follows:

Eletricity (€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Networks and plants	4.9	3.6	+1.3	+36.1%
Total Electricty Gross	**4.9**	3.6	+1.3	+36.1%
Capital contributions	0.0	0.0	+0.0	+0.0%
Total Electricity Net	**4.9**	3.6	+1.3	+36.1%

Pro forma data has been prepared for 2016 in order to account for the reclassification of the industrial cogeneration business from the electricity area to the gas area, amounting to € 0.3 million overall.

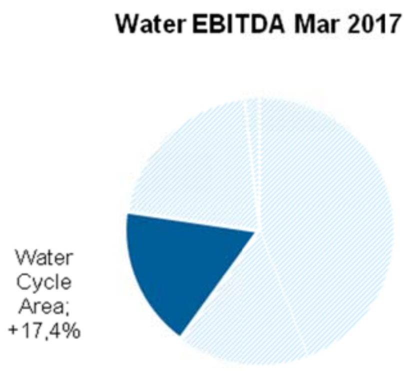
1.02.03 INTEGRATED WATER CYCLE

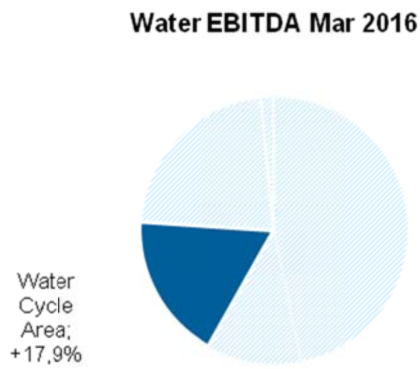
Integrated Water Cycle: increase in area EBITDA

In the first quarter of 2017, the integrated water cycle area showed growth in EBITDA amounting to € 3.5 million, or 6.9%. From a regulatory point of view, note that 2017 is the second year in which the tariff method defined by AEEGSI for 2016-2019 (resolution 664/2015) is applied, and that as regards the first quarter of 2016, the revenue covering the underlying cost of amortisation related to investments made in the first quarter of 2017 is recognized on an accrual basis. Furthermore, with resolution 655/15, effective as of July 2016, minimum contract quality standards have been defined, both with a general scope and further specific obligations concerning help desks, invoices and estimates. Through this resolution, mechanisms through which commercial quality is recognised have been introduced.

Contribution to Group EBITDA:

-0.5%





Water Cycle Area EBITDA grows by 6.9%

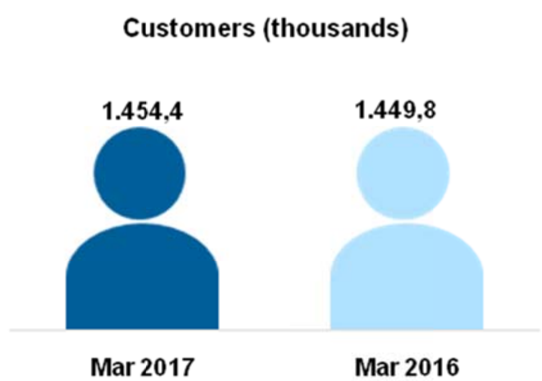
The following table shows the changes occurred in terms of EBITDA:

(€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Area EBITDA	**53.3**	49.8	+3.5	+6.9%
Group EBITDA	**306.8**	278.4	+28.4	+10.2%
Percentage weight	17.4%	17.9%	-0.5 p.p.	

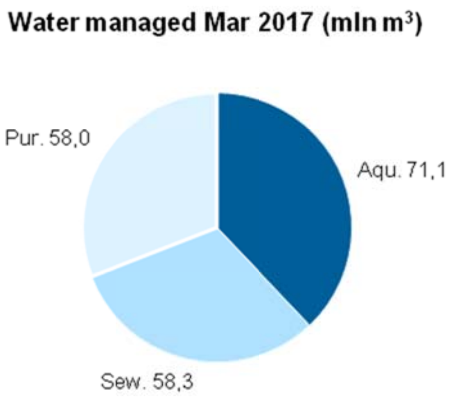
1.5 million Water Cycle customers

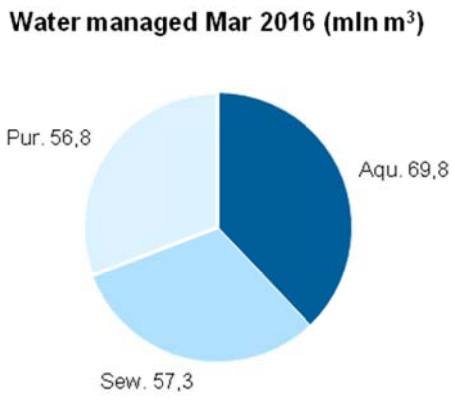
The number of water customers settled at 1.5 million, with a 4.6 thousand increase, or +0.3% over the first quarter of 2016. This highlights the trend of organic growth in the Group's reference areas, in particular in the Emilia Romagna region, managed by Hera Spa.

The main quantitative indicators of the area are as follows:



71.1 million m^3 managed in the aqueduct





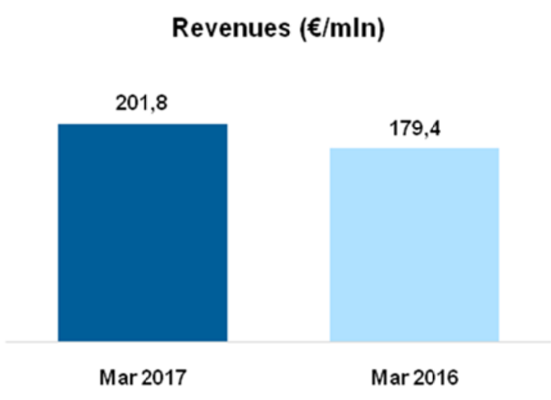
Volumes dispensed through the aqueduct showed a 1.3 million m^3 increase over March 2016 (roughly 1.9%): this can be traced to higher consumption, mainly recorded in the Bologna area. Furthermore, a slight growth was seen in the amount managed in sewerage (roughly 1.7%) and purification (roughly 2.1%) compared to March 2016. Volumes dispensed, following AEEGSI resolution 664/2015, are an indicator of the Group's activities in the geographical areas it serves, and are subject to equalisation pursuant to regulations that call for a regulated revenue to be recognised independently of volumes distributed.

The table below synthesises the income statement for the water area:

Integrated Water Cycle: EBITDA grows

Income statement (€/mln)	Mar 2017	% Inc.	Mar 2016	% Inc.	Abs. Change	% Change
Revenue	**201.8**	-	179.4	-	+22.4	+12.5%
Operating costs	**(106.5)**	-52.8%	(94.3)	-52.6%	+12.2	+12.9%
Personnel costs	**(42.9)**	-21.2%	(35.7)	-19.9%	+7.2	+20.2%
Capitalised costs	**0.8**	0.4%	0.5	0.3%	+0.3	+63.6%
EBITDA	**53.3**	26.4%	49.8	27.8%	+3.5	+6.9%

Revenues from the Integrated Water Cycle at € 201.8 million



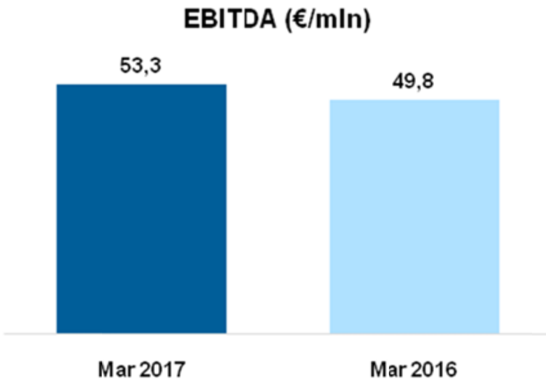
Revenues rose by 12.5%, going from € 179.4 million at March 2016 to € 201.8 million in the first quarter of 2017. Various factors are responsible for this: higher revenues for dispensing amounting to roughly € 8.5 million due to the overall effects of tariffs provided for by the AEEGSI for 2016-2019 (Mti-2), higher revenues covering underlying amortisation costs and the recognition of commercial quality; furthermore, higher revenues for the application of accounting principle IFRIC12 amounting to roughly € 0.9 million were seen, along with higher revenues for subcontracted works coming to roughly

€ 1.8 million and higher contributions above all in the North-East amounting to roughly € 1.0 million. Lastly, following the birth of Heratech, higher revenues, corresponding to an equal amount of costs, were seen for actions and works capitalised among Group companies.

Operating and personnel costs rose by € 19.4 million overall, or 14.9%; this increase is due to an increase in the price of electricity for plant operations, higher volumes purchased in water raw materials, higher costs for subcontracted works and for the application of accounting principle IFRIC12 and, lastly, the costs previously mentioned for works capitalised among Group companies.

EBITDA at € 53.3 million

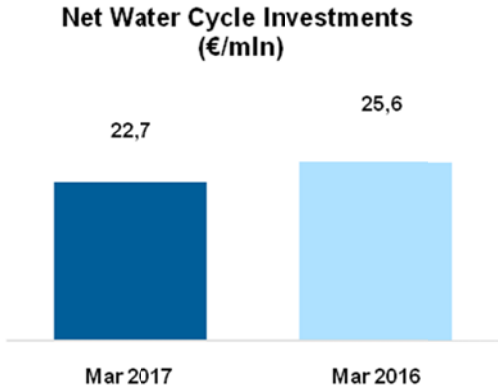
EBITDA showed a € 3.5 million increase, or 6.9%, going from the € 49.8 million seen in March 2016 to € 53.3 million in the same period of 2017, thanks to higher revenues from delivery coming to roughly € 8.5 million, in spite of higher costs subject to equalisation coming to € 3.4 million, lower revenues from connections and higher personnel costs.



Net investments in the Integrated Water Cycle Area: € 22.7 million

Net investments in the Integrated Water Cycle Area amounted to € 22.7 million, falling compared to the previous year owing to the increase seen in capital grants. Not including the latter, interventions in this area totalled € 33.4 million, as compared to the € 30.1 million seen the previous year. The investments consisted mainly in extensions, reclamations and network and plant upgrading, in addition to regulatory upgrades involving above all purification and sewerage.

Investments were made amounting to € 12.8 million in the aqueduct, € 7.8 million in sewerage and € 12.8 million in purification.



Among the more significant works, note in particular: in the aqueduct, upgrading connections in the Modena water system and an important upgrading and reclamation of a dorsal adduction conduit in the province of Ferrara; in sewerage, continued progress in works for the Rimini Seawater Protection Plan, including the first phase of the Ausa basin, in addition to redevelopment and upgrading interventions in the sewerage system in the municipalities of Cattolica and Santarcangelo; in purification, note the creation of the head tank of the Riccione purification plant, and, in the areas served by AcegasApsAmga, continued works in upgrading the large purification plants in Servola, Cà Nordio and Abano Terme.

Requests for new water and sewerage connections dropped compared to the same period in the previous year.
Capital grants amounting to € 10.8 million included € 1.3 million pertaining to the tariff component provided for by tariff method for the New Investments Fund (FoNI), and rose overall compared to the previous year by € 6.3 million.

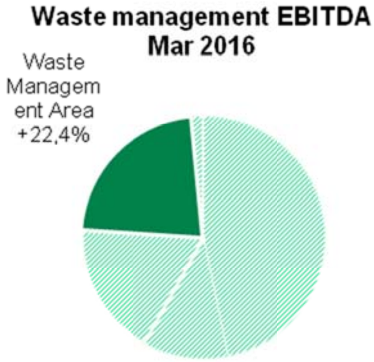
Details of operating investments in the integrated water cycle are as follows:

Significant operating investments on the aqueduct, sewerage and purification

Water Cycle Area (€/mln)	**Mar 2017**	Mar 2016	Abs. Change	% Change
Aqueduct	12.8	15.1	-2.3	-15.2%
Purification	12.8	6.9	+5.9	+85.5%
Sewage	7.8	8.1	-0.3	-3.7%
Total Water Cycle Gross	**33.4**	30.1	+3.3	+11.0%
Capital contributions	10.8	4.5	+6.3	+140.0%
of which FoNI (New Investment Fund)	*1.3*	*2.6*	-1.3	-50.0%
Total Water Cycle Net	**22.7**	25.6	-2.9	-11.3%

1.02.04 WASTE MANAGEMENT

In the first quarter of 2017, the waste management area's contribution to overall Group EBITDA came to 20.9%, with an area EBITDA that grew by 2.6% compared to the first three months of 2016.



The following table shows the changes occurred in terms of EBITDA:

Waste management area: EBITDA increases

(€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Area EBITDA	**64.0**	**62.4**	**+1.6**	**+2.6%**
Group EBITDA	**306.8**	278.4	+28.4	+10.2%
Percentage weight	20.9%	22.4%	-1.5 p.p.	

Volumes marketed and treated by the Group are as follows:

Quantitative data (thousand of tonnes)	**Mar 2017**	Mar 2016	Abs. Change	% Change
Urban waste	471.7	471.0	+0.7	+0.1%
Market waste	627.0	581.0	+46.0	+7.9%
Waste marketed	**1,098.7**	**1,052.0**	**+46.7**	**+4.4%**
Plant by-products	588.3	625.7	-37.4	-6.0%
Waste treated by type	**1,687.0**	**1,677.7**	**+9.3**	**+0.6%**

Market waste: +7.9%

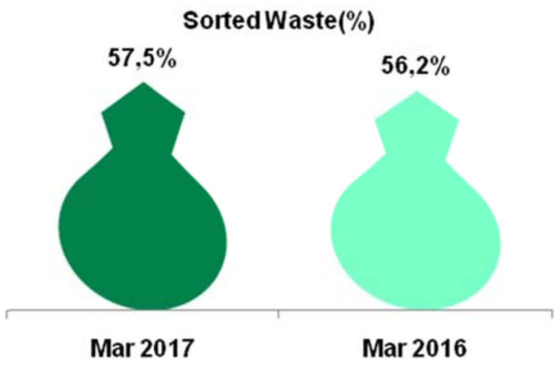
An analysis of the volumes treated shows a 4.4% increase in commercialised waste, mainly due to a 7.9% rise in market waste, thanks to the commercial actions aimed at plant saturation, intermediation channels and new markets, and a growth in the plant base, for the acquisition of the corporate branch involving plants of the company Teseco.

Urban waste was in line with the first quarter of 2016: this trend is the result of a different mix, that saw sorted waste increase by 2.6% and non-sorted waste decrease by 2.5%.

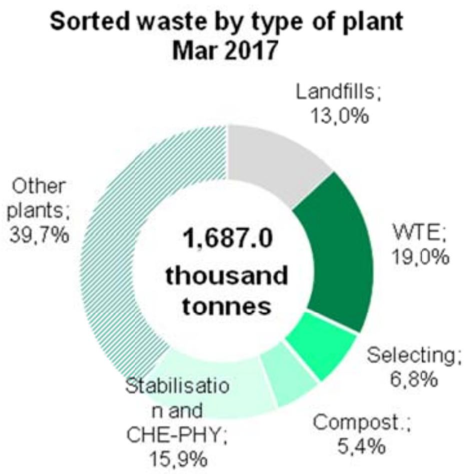
The fall in by-products was mainly due to a lesser production of leachate in landfills, traceable to lower rainfall.

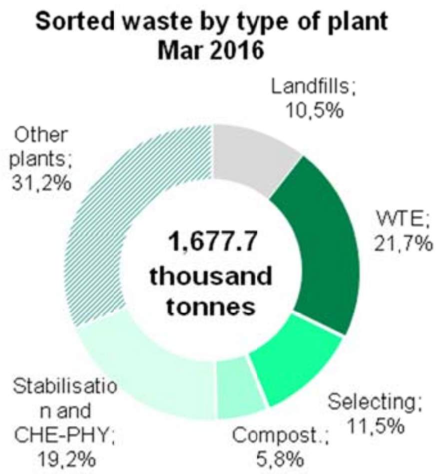
+1.3% in sorted waste

Sorted urban wasted recorded further progress, going from 56.2% in March 2016 to 57.5% in the first quarter of 2017. During the first three months of 2017, in the areas managed by Hera Spa sorted waste increased by 1.3%, in those managed by Marche Multiservizi it rose by 2.2% and in the Triveneto area growth settled at 0.9%.



Growth in waste disposal





Quantitative data (thousand of tonnes)	Mar 2017	Mar 2016	Abs. Change	% Change
Landfills	220.1	176.5	+43.6	+24.7%
Waste-to-energy plants	320.7	364.8	-44.1	-12.1%
Selecting plant and other	115.3	192.9	-77.6	-40.2%
Composting and stabilisation plants	91.8	98.0	-6.2	-6.3%
Stabilisation and chemical-physical plants	269.0	322.1	-53.1	-16.5%
Other plants	670.2	523.4	+146.8	+28.0%
Waste treated by plant	**1,687.0**	**1,677.7**	**+9.3**	**+0.6%**

The Hera Group operates in the entire waste cycle, with 85 urban and special waste treatment and disposal plants, the most important of which are: 10 waste to energy plants, 11 composters/digesters and 9 selecting plants. The acquired corporate branch of Teseco contributed with three chemical-physical plants, one stabilisation plant and one tankage plant.

Waste treatment showed growth amounting to 0.6% compared to the first quarter of 2016. As regards landfills, the quantitative increase is due to the availability of plants in Ravenna and Imola (Tremonti), following the authorisations obtained for the respective landfills. As regards waste to energy plants, the reduction in waste treated is due to a different scheduling than in the same period of 2016 for plant suspension and planned maintenance. The drop in quantity in the selection plants can be attributed to a different classification of some plants, now “Other plants”. The drop in quantity concerning

Stabilisation and chemical-physical plants is due to a reduction in by-products treated following favourable meteorological conditions. Lastly, the "Other plants" benefited both from higher activity in intermediation and the different representation in this category of a few plants, as previously mentioned.

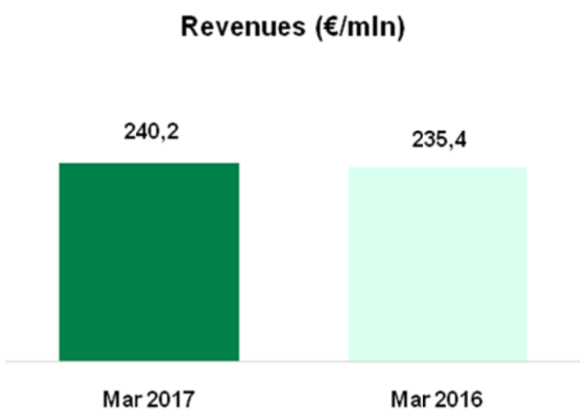
The table below summarises the income statement for the waste management area:

Waste management: EBITDA increases

Income statement (€/mln)	Mar 2017	% Inc.	Mar 2016	% Inc.	Abs. Change	% Change
Revenue	**240.2**		235.4		+4.8	+2.0%
Operating costs	**(130.0)**	-54.1%	(129.7)	-55.1%	+0.3	+0.2%
Personnel costs	**(47.6)**	-19.8%	(43.9)	-18.7%	+3.7	+8.4%
Capitalised costs	**1.4**	0.6%	0.6	0.3%	+0.8	+130.1%
EBITDA	**64.0**	26.6%	62.4	26.5%	+1.6	+2.6%

Waste revenues at € 240.2 million

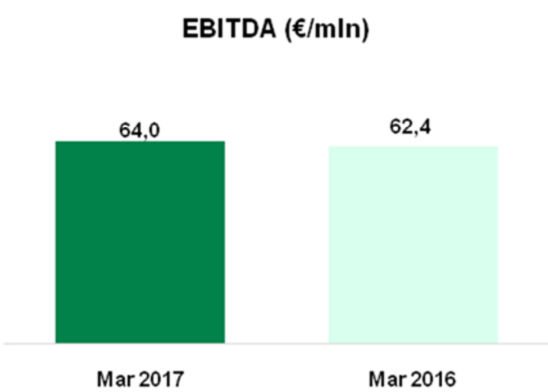
Revenues for the first quarter of 2017 rose by 2.0% or € 4.8 million, going from € 235.4 million in March 2016 to € 240.2 million in the same period of 2017. This growth is due to the higher volumes treated thanks to commercial activity development and the trend in market prices for special waste, which was positive in the first quarter of 2017. Furthermore, mention should go to the lower revenues from electricity production mainly ensuing from the loss of energy incentive for some plants and the lower energy production coming from some WTE plants, only partially offset by the increase in the price of energy (incentives and market).



Operating costs in the first quarter of 2017 were essentially in line with the previous year, thanks to the efficiency enhancement initiatives set in place above all in collection and sweeping, despite the higher costs derived from the increase in waste treated and an increase in costs tied to maintenance works on a few disposal plants.

Waste area EBITDA at € 64.0 million

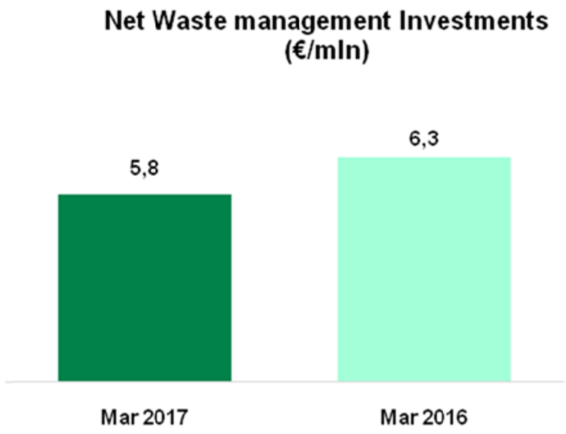
EBITDA went from € 62.4 million in March 2016 to € 64.0 million in the same period in 2017, thus showing an overall growth of € 1.6 million or 2.6%. This is due to the good performances of the urban hygiene business for the operating efficiencies and sales of recovered materials, and in disposal involves the higher volumes commercialised in spite of the drop



in revenues in energy management.

Net investments in the Waste Management Area amount to € 5.8 million

Net investments in the Waste Management area involved plant maintenance and upgrading and amounted to € 5.8 million, falling by € 0.5 million compared to the first quarter of 2016. The figures seen in the composting / digester subsector were in line with the previous year, and work continued on the biomethane project for the Sant'Agata plant and the compartmentalisation of the tankage area of the Cesena plant.



The € 1.7 million fall in investments on landfills mainly concerns interventions aimed at creating the 9th sector of the Ravenna landfill in the first quarter of 2016, not compensated by works in 2017 for the 4th sector in Loria and the beginning of the Pago enlargement.
The WTE subsector showed an increase of € 1.0 million over the previous year, for investments tied to projects aimed at modifying the Pozzilli generator, in addition to maintenance on the Modena, Rimini and Forlì plants.
The Special Waste Plants subsector, which mainly concerns maintenance activities for the Ravenna plants, was in line with the previous year, while changes in the ecological islands and collection equipment and selection and transhipment subsectors can be ascribed to the different planning for maintenance interventions compared to the first quarter of the previous year.

Details of operating investments in the Waste Management area are as follows:

Waste Management (€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Composting/Digestors	0.3	0.3	+0.0	+0.0%
Landfills	1.8	3.5	-1.7	-48.6%
WTE	1.6	0.6	+1.0	+166.7%
RS Plants	0.3	0.3	+0.0	+0.0%
Ecological areas and gathering equipment	0.9	1.2	-0.3	-25.0%
Transshipment, selection and other plants	0.9	0.6	+0.3	+50.0%
Total Waste Management Gross	**5.8**	6.3	-0.5	-7.9%
Capital contributions	0.0	0.0	+0.0	+0.0%
Total Waste Management Net	**5.8**	6.3	-0.5	-7.9%

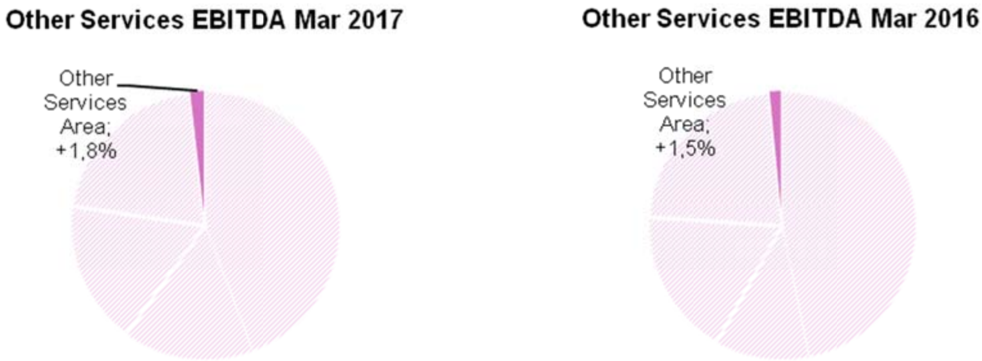
1.02.05 OTHER SERVICES

Other services: EBITDA grows

The other services area brings together all minor services managed by the Group, including public lighting, telecommunications and cemetery services.

In the first quarter of 2017, the results of the other services area increased, coming to 30.2% over the previous year: EBITDA in fact went from the € 4.2 million seen in the first three months of 2016 to € 5.5 million in the same period of 2017.

Increase in contribution to overall EBITDA



The following table shows the changes occurred in terms of EBITDA:

Growth in Other Services Area EBITDA

(€/mln)	Mar 2017	Mar 2016	Abs. Change	% Change
Area EBITDA	**5.5**	**4.2**	**+1.3**	**+30.2%**
Group EBITDA	**306.8**	278.4	+28.4	+10.2%
Percentage weight	1.8%	1.5%	+0.3 p.p.	

The following table shows the area's main indicators as regards public lighting services:

Quantative data	Mar 2017	Mar 2016	Abs.Change	% Change
Public Lighting				
Lighting points (thousands)	**499.6**	525.4	(25.8)	(4.9%)
Municipalities served	**157.0**	151.0	+6.0	+4.0%

525.4 thousand lighting points

An analysis of the data regarding public lighting shows a drop of 25.8 thousand lighting points and an increase of 6 municipalities managed. Over the first three months of 2016 the Hera Group acquired roughly 24 thousand lighting points in 18 new municipalities. The most significant acquisitions were in Lombardy (roughly 6 thousand lighting points in the provinces of Brescia, Bergamo and Cremona), Abruzzo (roughly 5 thousand lighting points) and in the Triveneto region (roughly 13 thousand lighting points mainly in the provinces of Pordenone, Treviso and Padua). These increases only partially offset the loss of roughly 50 thousand lighting points and 12 municipalities managed, of which the most significant decrease concerns the loss of management of roughly 29 thousand lighting points in the municipality of Rimini.

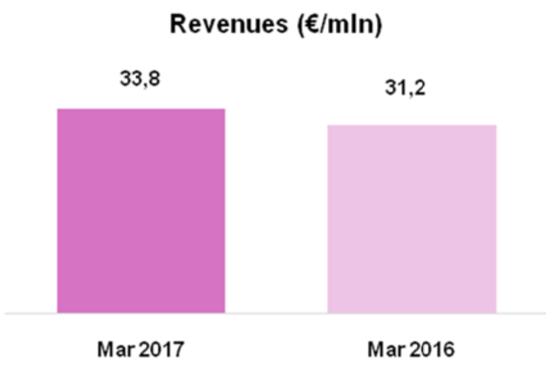
The area's operating results are as follows:

Other Services: revenues increase

Income statement (€/mln)	Mar 2017	% Inc.	Mar 2016	% Inc.	Abs.Change	% Change
Revenue	**33.8**		31.2		+2.6	+8.3%
Operating costs	**(23.6)**	-69.8%	(22.5)	-72.2%	+1.1	+4.9%
Personnel costs	**(5.2)**	-15.4%	(4.8)	-15.3%	+0.4	+8.4%
Capitalised costs	**0.5**	1.6%	0.4	1.1%	+0.1	+28.5%
EBITDA	**5.5**	16.4%	4.2	13.6%	+1.3	+30.2%

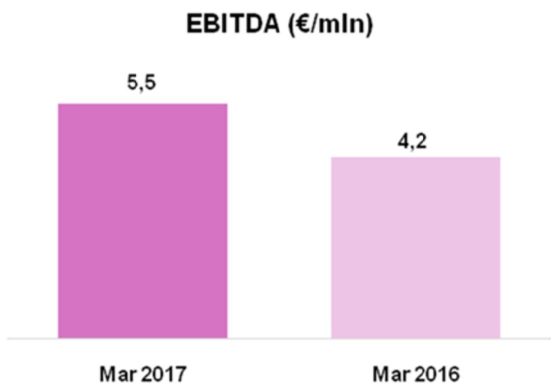
Revenues for Other Services at € 33.8 million

Area revenues increased compared to March 2016 by € 2.6 million, going from € 31.2 million to € 33.8 million in March 2017. This growth in the first quarter is due to both an increase in revenues in the public lighting business, coming to roughly 44%, and the contribution coming from telecommunications, coming to roughly 30%, while the remainder consists in the cemetery services managed by AcegasApsAmga.



EBITDA increases by € 1.3 million

Area EBITDA showed growth amounting to € 1.3 million over the first quarter of 2016. This trend is due to higher earnings in public lighting, caused by the good performances of both Hera Luce and companies operating in the North-East, and higher earnings in telecommunications services.

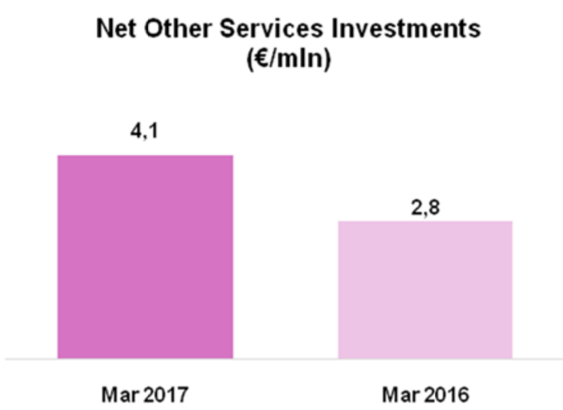


Net investments reach € 4.1 million

Investments in the Other Services Area came to € 4.1 million, up € 1.3 million compared to the same period in the previous year.

In telecommunications, € 2.9 million were invested in the network and in TLC and IDC (Internet Data Center) services, with a slight increase compared to 2016, amounting to € 0.5 million.

In public lighting services, the € 1.3 million in investments went towards



maintaining, enhancing and modernising lampposts, with an overall increase of € 0.9 million that concerned both the company Hera Luce and service management in the area falling under the scope of AcegasApsAmga.

Details of operating investments in the Other Services Area are as follows:

Other Services (€/mln)	**Mar 2017**	Mar 2016	Abs. Change	% Change
TLC	2.9	2.4	+0.5	+20.8%
Public Lighting and Street Lights	1.3	0.4	+0.9	+225.0%
Total Other Services Gross	**4.1**	2.8	+1.3	+46.4%
Capital contributions	0.0	0.0	+0.0	+0.0%
Total Other Services Net	**4.1**	2.8	+1.3	+46.4%

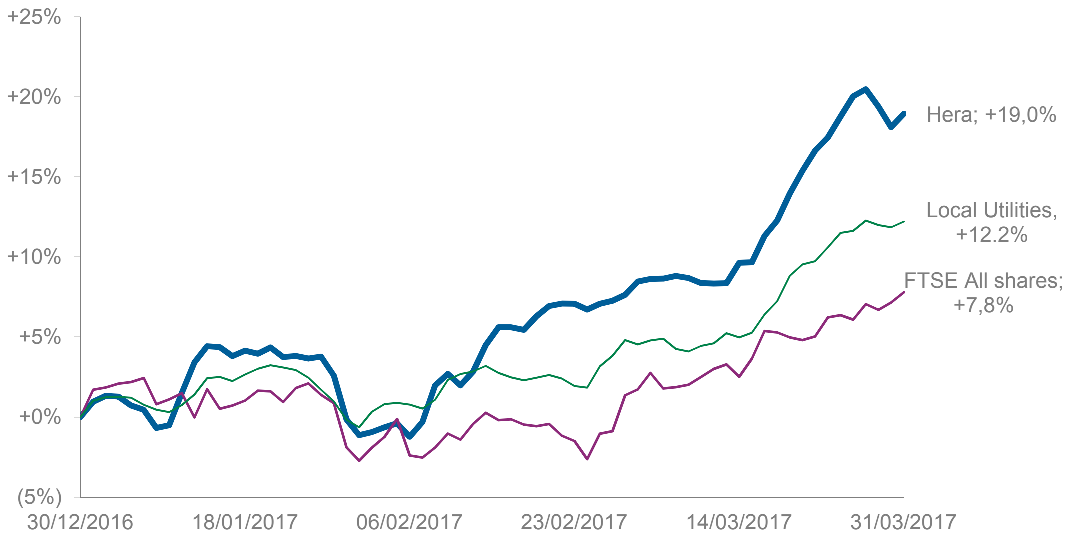
1.03 SHARE PERFORMANCE AND INVESTOR RELATIONS

The first quarter of 2017 ended with positive performance of all major European and US stock exchange listings, as a result of the expected acceleration of global economy and reduction of the perception of political risk in the eurozone.

Piazza Affari, which in 2016 had experienced the worst performance in Europe, also benefited from the overall increase of confidence in the financial markets, marking a rise of + 7.8% .

+19.0%
the increase of Hera stock at the end of the first quarter of 2017.
Hera outperforms the market and its own sector

Within this context, Hera stock amply outperformed both the Italian stock exchange index and its own sector, thanks to the introduction of a new industrial plan, which was highly appreciated by the financial community, and the publication of the 2016 results, higher than the analysts' expectations. At 31 March 2017 the listings closed at an official price of Euro 2.602 per share, increasing +19.0 from the beginning of the year.



+191.6%
Total shareholders' return from IPO

The increase in the price of the share and the constant distribution of dividends beginning from the initial listing enabled the total shareholders' return to reach + 191.6% at the end of the quarter.

The Hera Group's market capitalization, at the end of the same period, came to Euro 3.9 billion, contributing to placing Hera stock at the top of the reserve list to be included in the FTSE Mib, the main Italian stock exchange index listing the country's major companies.

2.84 €
The average target price, adjusted upwards after the release of the reports

At the end of the first quarter of 2017, the majority of financial analysts covering the title (Banca Akros, Banca IMI, Equita Sim, Fidentiis, ICBPI, Intermonte, Kepler Cheuvreux, MainFirst and Mediobanca) confirm positive "Buy / Outperform" opinion , while the consensus target price was adjusted upwards after the publication of the annual results, from € 2.77 to € 2.84.

Breakdown of Group shareholders at 31/03/2017

51.3%
share capital held by members of the Stockholders' Agreement made up of public

At 31 March, the corporate structure shows its usual balance, with 51.3% of shares belonging to 118 public shareholders located across the geographical areas served and regulated by a Stockholders' Agreement signed on 26 June 2015 and in force for three years.

Since 2006, Hera has adopted a share buyback program, renewed by the Shareholders' Meeting of 27 April 2017 for 18 further months, for an overall maximum amount of Euro 180 million. This plan is aimed at financing M&A opportunities involving smaller companies, and smoothing out any anomalous market price fluctuations vis-à-vis those of the main comparable Italian companies. At the end of the first quarter, Hera held 19.1 million treasury shares.

Contact with the market: a major intangible asset

Following the publication of the new 2016-2020 Business Plan, Hera's Top Management took part in a Road Show in major European and North American financial markets to illustrate the Group's growth targets to investors. This intense activity has received considerable attention from institutional investors, as a reward for the performance of the share in the reference period.

The intensity and commitment that the Group puts into communicating with investors has helped reinforce its market reputation, which is now an intangible asset that provides a clear advantage for Hera's stock and its stakeholders.

1.04 REFERENCE SCENARIO AND GROUP STRATEGY

The results of organic growth

The Group's strategy was geared towards growth in the first three months of 2017 as well, pursued organically on both free and regulated markets. The enlargement of the customer base and new batches for the management of customers in protected categories, obtained through participation in calls for tenders towards the end of 2016, have contributed to the development of every activities for the period. Continued work in terms of gaining efficiency and attention to improving the quality of services, on the other hand, have supported the positive performance of network activities. The Group's strategy has thus allowed it to maintain an ideal balance between regulated and liberalized activities in its core business areas.

A risk adverse strategy through a balanced portfolio of activities

Exposure to market risks and competition has been contained through a carefully considered management of the Group's risk profile and return on activities. This was responsible for the choice to expand the activities of waste treatment needed to sustain the services offered and to aim towards commercial development in the sector of energy service sales. The Group's risk adverse strategy was also confirmed by gas stocking with short-term contracts instead of turning to long-term supplying which, even while providing guarantees, is more exposed to the risk of fluctuation in demand and prices.

Future prospectives for the sector

The evolution of the sector at present cannot avoid issues such as circular economy, industry 4.0 and customer experience. These trends, while requiring the company's model to be deeply rethought, accelerate the time involved in change and revolutionize our way of conceiving production processes, products and customer relations.

The new business plan up to 2020

The business plan up to 2020, presented in early January 2017, confirms the Group's current strategic outlook and aspires to continue pursuing sustainable growth in EBITDA, rising above one billion euro at the end of the period, with a target of roughly 200 million euro of growth over five years. The amount of growth foreseen will be sustained by the habitual development model, based on the propulsive force of two historical motors: internal and external growth. The investment plan, amounting to roughly 2.5 billion euro, will be fully financed with the generation of cash flow, bringing additional improvement to the Group's financial solidity, even making room for an 11% increase in dividends per share, to be implemented progressively until 2020.

Confirming the content of the previous business plan, this strategy will be supported by the usual four growth levers: growth, efficiency, innovation and excellence. This orientation, which has already proven its validity over recent years, is at the root of all main strategic projects envisaged for the next four years. A new elements has furthermore been introduced into the most recent plan: agility, which answers the need to adapt to industrial factors following the high pace set by the evolution of the external scenario.

The operating levers and the main factors driving the Group's growth have been fully confirmed by the results of the previous financial statements and are in line with the targets set. The novelty of the strategy to 2020 consists, rather, in the way in which objectives will be pursued.

Strategic answers to new and evolving trends

The strategy calls for an implementation of digitization in all business areas; this is a preparatory measure for a future transformation of processes, plants and infrastructures into smart networks, an internet of things, and the use of innovative technologies to improve energy and operational efficiency. Thanks to the use of advanced telecommunications tools (satellites, internet), the Group intends to move towards the utility 4.0 within the period of time considered in the plan.

The strategy through to 2020 also proves to be in line with the philosophy of a circular economy, that drives sustainable management beyond the limits of reuse and recycling of materials coming from sorted waste.
The Group, which in this area has reached the targets set by international organizations (EU and UN) well in advance, over the next five years will take a decisive step towards directly producing goods that can be re-located on the market, through the use of recycled materials.
Lastly, the plan to 2020 includes a strong focus on customer experience and related activities that enable customer relationship management tools to evolve.
The target is an increasing capacity and speed in analyzing big data in order to put together strategies which improve the quality of the services offered, as well as to identify commercial offers that better respond to customer demands.

The current strategic framework, consisting of the lines of development pursued in the past, is fully confirmed in the new plan and driven to physiological evolution, moving towards new imperatives of development.

1.05 PERSONNEL ORGANIZATION

Hera Group's employees with open-ended contracts as of 31 March 2017 equal 8,397 (consolidated scope) and are distributed by role as: executive managers (151), middle managers (524), office clerks (4,544), and workers (3,178).
Such organization was determined by the following moves: employments (49) and dismissals (72) as well as the change in the scope due to the entrance of Teseco (46).

	31 Mar 17	31 Dec 16	Change
Executive Managers	151	151	0
Middle Managers	524	524	0
Clerks	4,544	4,514	30
Workers	3,178	3,185	-7
Total	**8,397**	**8,374**	**23**

Specifically, the effective moves are as follows:

Resources as of December 2015	8,374
Entries	49
Leaving	-72
Net flows	-23
Change in the scope	46
Resources as of 31 March 2016	**8,397**

The changes for the period are mainly due to:

- consolidation of contracts, from short-term to long-term contracts
- addition of new professional positions not previously present in the Group
- The reduction in the number of workers is balanced by the addition of analogous long-term hires who o gradually entered into open-ended processes of consolidation.
- changes in the scope due to the entrance of Teseco company

CHAPTER 2

CONSOLIDATED FINANCIAL STATEMENTS OF THE HERA GROUP

2.01 FINANCIAL STATEMENT

2.01.01 Income statement

€/mln	31-Mar-2017 (3 months)	31-Mar-2016 (3 months)	31-Dec-2016 (12 months)
Revenue	1,585.5	1,235.4	4,460.2
Other operating revenues	82.1	73.7	403.4
Use of raw materials and consumables	(732.2)	(608.5)	(2,176.8)
Service costs	(488.8)	(281.7)	(1,198.8)
Personnel costs	(137.2)	(132.9)	(524.1)
Other operating costs	(12.0)	(12.1)	(75.0)
Capitalised costs	9.4	4.6	27.8
Amortisation, depreciation,provisions	(119.5)	(107.6)	(459.6)
Operating profit	**187.3**	**170.9**	**457.1**
Portion of profits (loss) pertaining to joint ventures and associated companies	6.5	4.8	13.8
Financial income	23.3	29.7	80.1
Financial expense	(52.9)	(60.2)	(211.3)
Financial operations	**(23.1)**	**(25.7)**	**(117.4)**
Other non-recurring non-operating income	-	-	-
Pre-tax profit	**164.2**	**145.2**	**339.7**
Taxes	(48.9)	(48.4)	(119.3)
Net profit	**115.3**	**96.8**	**220.4**
Attributable to:			
Shareholders of the Parent Company	109.9	91.2	207.3
Non-controlling interests	5.4	5.6	13.1
Earnings per share			
basic	**0.075**	**0.062**	**0.141**
diluted	**0.075**	**0.062**	**0.141**

2.01.02 Statement of financial position

€/mln	31 Mar 17	31 Dec 16
ASSETS		
Non-current assets		
Property, plant and equipment	2,012.3	2,019.2
Intangible assets	2,979.2	2,968.0
Goodwill	375.7	375.7
Non-controlling interests	243.6	148.5
Non-current financial assets	109.6	110.2
Deferred tax assets	78.7	80.3
Financial instruments - derivatives	112.5	109.5
Total non-current assets	**5,911.6**	**5,811.4**
Current assets		
Inventories	74.3	104.5
Trade receivables	1,944.1	1,665.5
Current financial assets	30.4	29.4
Current tax assets	33.9	33.9
Other current assets	255.0	232.4
Financial instruments - derivatives	32.3	56.5
Cash and cash equivalents	406.6	351.5
Total current assets	**2,776.6**	**2,473.7**
Non-current assets held for sale		
TOTAL ASSETS	**8,688.2**	**8,285.1**

cont.d

€/mln	31 Mar 17	31 Dec 16
SHAREHOLDERS' EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,470.2	1,468.1
Reserves	953.0	742.5
Profit (loss) for the period	109.9	207.3
Group equity	**2,533.1**	**2,417.9**
Non-controlling interests	149.7	144.2
Total equity	**2,682.8**	**2,562.1**
Non-current liabilities		
Non-current financial liabilities	2,938.6	2,933.1
Employee leaving indemnity and other benefits	144.8	145.8
Provisions for risks and charges	409.0	397.6
Deferrred tax liabilities	25.9	27.2
Financial instruments - derivatives	40.8	44.1
Total non-current liabilities	**3,559.1**	**3,547.8**
Current liabilities		
Current financial liabilities	228.4	182.3
Trade payables	1,234.9	1,270.8
Current tax liabilities	70.0	21.0
Other current liabilities	875.4	636.3
Financial instruments - derivatives	37.6	64.8
Total current liabilities	**2,446.3**	**2,175.2**
TOTAL LIABILITIES	**6,005.4**	**5,723.0**
TOTAL EQUITY AND LIABILITIES	**8,688.2**	**8,285.1**

2.01.03 Cash flow statement

€/mln	31 Mar 17	31 Mar 16
Pre-tax profit	**164.2**	**145.2**
Adjustments to reconcile net profit to the cashflow from operating activities:		
Amortisation and impairment of property, plant and equipment	41.2	39.2
Amortisation and impairment of intangible assets	46.4	44.9
Allocations to provisions	31.9	23.5
Effect of valuation using the equity method	(6.5)	(4.8)
Financial expense / (Income)	29.6	30.5
(Capital gains) / Losses and other non-monetary elements (including valuation of commodity derivatives)	(4.8)	(4.8)
Change in provisions for risks and charges	(6.2)	(8.1)
Change in provisions for employee benefits	(1.9)	(2.2)
Total cash flow before changes in net working capital	**293.9**	**263.4**
(Increase) / Decrease in inventories	30.5	50.3
(Increase) / Decrease in trade receivables	(303.4)	(169.2)
Increase / (Decrease) in trade payables	(35.9)	(41.6)
(Increase) / Decrease in other current assets/ liabilities	217.8	147.9
Change in working capitals	**(91.0)**	**(12.6)**
Dividends collected	-	0.3
Interests income and other financial income collected	6.8	5.2
Interests expense and other financial charges paid	(43.0)	(51.7)
Taxes paid	-	-
Cash flow from (for) operating activities (a)	**166.7**	**204.6**
Investments in property, plant and development	(18.7)	(21.4)
Investments in intangible fixed assets	(57.7)	(51.6)
Investments in companies and business units net of cash and cash equivalents	(45.4)	-
Sale price of property,plant and equipment and intangible assets (including lease-back transations)	0.2	0.7
Divestment of unconsolidated companies and contingent consideration	-	-
(Increase) / Decrease in other investment activities	-	(0.9)
Cash flow from (for) investing activities (b)	**(121.6)**	**(73.2)**
New issues of long-term bonds	-	-
Repayments and other net changes in borrowings	5.4	(283.0)
Lease finance payments	(0.7)	(0.6)
Investments in consolidated companies	-	-
Share capital increase	-	-
Dividends paid out to Hera shareholders and non-controlling interests	-	(1.0)
Change in treasury shares	5.3	(3.6)
Other minor changes	-	-
Cash flow from (for) financing activities (c)	**10.0**	**(288.2)**
Effect of change in exchange rates on cash and cash equivalents (d)	**-**	**-**
Increase / (Decrease) in cash and cash equivalents (a+b+c+d)	**55.1**	**(156.8)**
Cash and cash equivalents at the end of the period	351.5	541.6
Cash and cash equivalents at the end of the period	406.6	384.8

2.01.04 Overview of changes in the equity

€/mln	Share capital	Reserves	hedging derivatives	Employee benefits plan	Profit for the period	Equity	Non-controlling interests	Total
Balance at 31 December 2015	**1,474.0**	**730.0**	**(1.0)**	**(25.0)**	**180.0**	**2,358.0**	**145.0**	**2,503.0**
Profit for the period					91.0	**91.0**	6.0	**97.0**
Other components of comprehensive income at 31 March 2016:								
Fair value of derivatives, change in the period						**-**		**-**
Actuarial income/(losses) post-employment benefits						**-**		**-**
Other comprehensive income items companies measured with the equity method						**-**		**-**
Total comprehensive Income for the period		**-**	**-**	**-**	**91.0**	**91.0**	**6.0**	**97.0**
Change in treasury shares	(1.0)	(2.0)				**(3.0)**		**(3.0)**
Payment for non-controlling shares						**-**		**-**
Change in equity interests						**-**		**-**
Change in the scope of consolidation						**-**		**-**
Other movements						**-**		**-**
Allocation of 2015 profit :								
- dividends paid out		-			-	**-**	-	**-**
- allocation to ohter reserves		172.0			(172.0)	**-**		**-**
- allocation to retained earnings		8.0			(8.0)	**-**		**-**
Balance at 31 March 2016	**1,473.0**	**908.0**	**(1.0)**	**(25.0)**	**91.0**	**2,446.0**	**151.0**	**2,597.0**
Balance at 31 December 2016	**1,468.1**	**772.4**	**(0.4)**	**(29.5)**	**207.3**	**2,417.9**	**144.2**	**2,562.1**
Profit for the period					109.9	**109.9**	5.4	**115.3**
Other components of comprehensive income at 31 March 2017:								
Fair value of derivatives, change in the period						**-**		**-**
Actuarial income/(losses) post-employment benefits						**-**		**-**
Other comprehensive income items companies measured with the equity method						**-**		**-**
Total comprehensive Income for the period		**-**	**-**	**-**	**109.9**	**109.9**	**5.4**	**115.3**
Change in treasury shares	2.1	3.2				**5.3**		**5.3**
Payment for non-controlling shares						**-**	-	**-**
Change in equity interests						**-**		**-**
Change in the scope of consolidation						**-**		**-**
Other movements						**-**	0.1	**0.1**
Allocation of 2016 profit :								
- dividends paid out		-				**-**		**-**
- allocation to ohter reserves		144.7			(144.7)	**-**		**-**
- undistributed profits to retained earnings		62.6			(62.6)	**-**		**-**
Balance at 31 March 2017	**1,470.2**	**982.9**	**(0.4)**	**(29.5)**	**109.9**	**2,533.1**	**149.7**	**2,682.8**

2.01.05 Synthetic explanatory notes

As set forth in article 82-ter "Informazioni finanziarie periodiche aggiuntive" (additional periodic financial information) of the Issuers' Regulation, the Hera Group has voluntarily decided to publish the consolidated three-month report as of 31 March 2017.

This consolidated three-month report was not prepared in accordance with the accounting principle regarding the sub-annual financial statement (IAS 34 "Interim Financial Reporting").

The preparation of this three-month report required estimates and assumptions to be made that affect the reported amounts of revenues, expenses, assets and liabilities as of the reporting date. If, in future, such estimates and assumptions, which are based on the management's best judgment, should differ from actual events, they will be adjusted accordingly in order to give an accurate representation of management operations. It should also be noted that some measurement methods, particularly the more complex ones, such as detecting any impairment of non□current assets, are generally entirely applied only during the preparation of the annual financial statements, unless there are indications of impairment which require an immediate impairment test.

Income taxes are recognized based on the best estimate of the weighted average rate for the entire financial year.

The figures in this consolidated three-month report are comparable to those of previous periods, taking into account the provisions of paragraph 1.01.01, in particular with regard to the effects of the reporting in the income statement the costs associated with the electricity system. The comparison of the individual items of the income and financial position statements must also take into account the changes in the scope of consolidation outlined in the dedicated section.

Financial statement formats

The formats used are the same as those used for the consolidated financial statements as of and for the year ended 31 December 2016. A vertical format has been used for the income statement, with individual items analyzed by type. This presentation, also used by the company's major competitors, is considered consistent with international practice and is the one that best represents the company's performance. The other components of comprehensive income are shown separately in the Statement of changes in equity. The Statement of financial position makes the distinction between current and non-current assets and liabilities. The Cash flow statement has been prepared using the indirect method.

The financial reports include as a separate document any potential non-current expenses and revenues.

The financial statements contained in this consolidated three-month report are expressed in millions of Euros, unless otherwise indicated.

Scope of consolidation

This consolidated three-month report includes the financial statements of the parent company, Hera Spa, and its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, by way of currently valid rights, in such a way as to obtain benefits from the company's activity. Small-scale subsidiaries and those in which the exercise of voting rights is subject to substantial and long-term restrictions as well as companies acquire over the course of the most recent period and not yet integrated in the Group’s accounting processes are excluded from line-by-line consolidation and valued at cost.

Equity investments in joint ventures, in which the Hera Group exercises joint control with other companies, are consolidated with the equity method. The equity method is also used to evaluate equity investments in companies over which a significant influence is exercised. Small-scale subsidiaries are carried at cost.

Companies held exclusively for future sale are excluded from consolidation and valued at their fair value or, if fair value cannot be determined, at cost.

The lists of the companies included in the scope of consolidation are shown at the end of these notes.

Changes in the scope of consolidation

On 1 February 2017, Waste Recycling Spa acquired from Teseco Srl the corporate branch "Business Unit Impianti", comprising the assets organized for carrying out waste treatment and recovery.

Other corporate operations

With effect beginning 1 January 2017, the parent company Hera Spa transferred to the subsidiary HERAtech Srl the business branches of "Direzione Ingegneria" and "Direzione Tecnica Clienti" and, simultaneously, the subsidiary acquired the business branch "Gestione dei laboratori di analisi" from the Group's company AcegasApsAmga Spa.

Effective as of 1 January 2017, the subsidiary company Biogas 2015 Srl was merged by incorporation into the parent company Herambiente Spa.

Effective as of 1 January 2017, Marche Multiservizi Spa transferred to its subsidiary Marche Multiservizi Falconara Srl the business branch tasked with providing public utility services in the municipality of Falconara.

The value of the equity investments as at 31 March, 2017 reflects a 100% recording in the capital of Aliplast Spa, a company based in Istrana (Treviso) operating in the sector of regenerated polymers, polyethylene flexible films and PET films for a total of 88.5 million euros, following the realization of the established condition, with the issuing of AGCM's positive opinion on the acquisition of the company. As of 3 April 2017 the first part of this company's capital was purchased (40%). The valorization of this investment was carried out on the basis of contractual information available as of today. It should also be noted that full consolidation at the date of this report was not possible since the Aliplast Group's economic and financial information is unavailable. The consolidation will be recorded in the six-month period report and will be possible by means of the agreed governance between the parties.

Profit per share

Here below is the table regarding the profit per share, calculated on the basis of the economic profit to be allocated to the holders of ordinary shares in the parent company.

	31-Mar-2017 (3 months)	31-Mar-2016 (3 months)
Profit (loss) for the period attributable to holders of ordinary shares of the Parent Company (A)	109.9	91.2
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss)		
- basic (B)	1,470,855,758	1,473,184,790
- diluted (C)	1,470,855,758	1,473,184,790
Earnings (loss) per share (euro)		
- basic (A/B)	**0.075**	**0.062**
- diluted (A/C)	**0.075**	**0.062**

Other information

This consolidated three-month financial statement as at 31 March 2017 was drawn up by the Board of Directors and approved by the same at the meeting held on 22 May 2017.

2.02 NET FINANCIAL DEBT

€/mln		31 Mar 17	31 Dec 16
a	**Cash and cash equivalents**	**406,6**	**351,5**
b	**Other current financial receivables**	**30,4**	**29,4**
	Current bank debt	(54,8)	(72,1)
	Current portion of bank debt	(71,3)	(71,7)
	Other current financial liabilities	(100,0)	(36,2)
	Finance lease payments maturing within 12 months	(2,3)	(2,3)
c	**Current financial debt**	**(228,4)**	**(182,3)**
d=a+b+c	**Net current financial debt**	**208,6**	**198,6**
	Non-current bank debt and bonds issued	(2.847,5)	(2.847,8)
	Other current financial liabilities	(4,8)	(5,0)
	Finance lease payments maturing after 12 months	(14,6)	(14,9)
e	**Non-current financial debt**	**(2.866,9)**	**(2.867,7)**
f=d+e	**Net borrowings - Consob communication n° 15519/2006**	**(2.658,3)**	**(2.669,1)**
g	**Non-current financial receivables**	**109,6**	**110,2**
h=f+g	**Net financial debt**	**(2.548,7)**	**(2.558,9)**

2.03 LIST OF CONSOLIDATED COMPANIES

Subsidiaries

Name	Registered office	Share capital	% held		Total interest
			direct	indirect	
Parent Company: Hera Spa	**Bologna**	**1,489,538,745**			
Acantho Spa	Imola (BO)	23,573,079	77.36%		77.36%
AcegasApsAmga Spa	Trieste	284,677,324	100.00%		100.00%
Amga Calore & Impianti Srl	Udine	119,000		100.00%	100.00%
Amga Energia & Servizi Srl	Udine	600,000		100.00%	100.00%
ASA Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
Aresgas AD	Sofia (Bulgaria)	22.572.241 Lev		99.98%	99.98%
Black Sea Gas Company E. o.o.d	Varna (Bulgaria)	5.000 Lev		99.98%	99.98%
EnergiaBaseTrieste Srl	Trieste	180,000		100.00%	100.00%
Feronia Srl	Finale Emilia (MO)	2,430,000		52.50%	52.50%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Gran Sasso Srl	Pratola Peligna (AQ)	148,000		100.00%	100.00%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%
Herambiente Servizi Industriali Srl	Bologna	1,748,472		75.00%	75.00%
Heratech Srl	Bologna	1,000,000	100.00%		100.00%
Hera Comm Srl	Imola (BO)	53,536,987	100.00%		100.00%
Hera Comm Marche Srl	Urbino (PU)	1,977,332		72.01%	72.01%
Hera Luce Srl	San Mauro Pascoli (FC)	1,000,000	100.00%		100.00%
Hera Servizi Energia Srl	Forlì	1,110,430		57.89%	57.89%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
HestAmbiente Srl	Trieste	1,010,000		82.50%	82.50%
Inrete Distribuzione Energia Spa	Bologna	10,000,000	100.00%		100.00%
Marche Multiservizi Spa	Pesaro	13,484,242	49.59%		49.59%
Marche Multiservizi Falconara Srl	Falconara Marittima (AN)	100,000		49.59%	49.59%
Medea Spa	Sassari	4,500,000	100.00%		100.00%
SiGas d.o.o	Pozega (Serbia)	263.962.537 Rsd		95.78%	95.78%
Sinergie Spa	Padova	11,168,284		100.00%	100.00%
Sviluppo Ambiente Toscana Srl	Bologna	10,000	95.00%	3.75%	98.75%
Tri-Generazione Scarl	Padova	100,000		70.00%	70.00%
Uniflotte Srl	Bologna	2,254,177	97.00%		97.00%
Waste Recycling Spa	Santa Croce sull'Arno (PI)	1,100,000		75.00%	75.00%

Jointly Controlled Companies

Name	Registered office	Share capital	% held		Total interest
			direct	indirect	
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%
Estenergy Spa	Trieste	1,718,096		51.00%	51.00%

Associated Companies

Name	Registered office	Share capital	% held		Total interest
			direct	indirect	
Aimag Spa*	Mirandola (MO)	78,027,681	25.00%		25.00%
Q.Thermo Srl	Florence	10,000		39.50%	39.50%
Set Spa	Milan	120,000	39.00%		39.00%
So.Sel Spa	Modena	240,240		26.00%	26.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Tamarete Energia Srl	Ortona (CH)	3,600,000	40.00%		40.00%

* The Company's share capital is composed of € 67,577,681 of ordinary shares and € 10,450,000 of related shares

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